PRELIMINARY OFFICIAL STATEMENT, DATED __________, 2016

NEW ISSUE — BOOK-ENTRY ONLY

Rating: Standard & Poor's "___"
(See "MISCELLANEOUS – Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" herein.

$9,000,000*
SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
General Obligation Refunding Bonds, Series 2016
(Bank Qualified)

Dated: Date of Delivery **Due: October 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2016 (the "Refunding Bonds") are being issued by the District (i) to refund on an advance basis, a portion of the outstanding San Carlos School District (County of San Mateo, California) General Obligation Bonds, Election of 2005, Series 2008, and (ii) to pay costs of issuance of the Refunding Bonds. The Refunding Bonds are being issued under the laws of the State and pursuant to a resolution of the Board of Education of the District, adopted on June 9, 2016.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal, accreted value or maturity value of and interest on the Refunding Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS" herein.

The Refunding Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), all as set forth on the inside front cover hereof. Interest on the Current Interest Bonds is payable on each April 1 and October 1 to maturity, commencing October 1, 2016. Principal of the Current Interest Bonds is payable on October 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Refunding Bonds issued as Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on October 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Capital Appreciation Bonds will be compounded on each April 1 and October 1 to maturity, commencing October 1, 2016.

The Refunding Bonds will be issued in denominations of $5,000 principal amount or maturity value, as applicable, or any integral multiple thereof as shown on the inside front cover hereof.

The Refunding 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 ("DTC"). DTC will act as securities depository for the Refunding Bonds. Individual purchases of the Refunding Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Refunding Bonds purchased by them. See "THE REFUNDING BONDS – Form and Registration" herein. Payments of the principal of, accreted value or maturity value of and interest on the Refunding Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and transfer agent with respect to the Refunding Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS – Payment of Principal and Interest" herein.

The Refunding Bonds are subject to redemption prior to maturity as described herein. See "The Refunding Bonds — Redemption" herein.

The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Nossaman LLP, Irvine, California, as Underwriter's Counsel. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about __________, 2016.

Stifel

The date of this Official Statement is __________, 2016.

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* *Preliminary; subject to change.*

MATURITY SCHEDULE

BASE CUSIP[1]: 797138

$9,000,000[*]
SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
General Obligation Refunding Bonds, Series 2016

$__________ Current Interest Bonds

$__________ Serial Current Interest Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]

$__________ _____% Term Bonds due October 1, 20__ – Yield _____% CUSIP Number[1] – ____

$__________ _____% Term Bonds due October 1, 20__ – Yield _____% CUSIP Number[1] – ____

$__________ Capital Appreciation Bonds

Maturity (October 1)	Initial Principal Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP Number[1]

$_________ Initial Principal Amount of Term Capital Appreciation Bonds due October 1, 20__
_____% Accretion Rate - $__________ Maturity Value - Reoffering Yield _____% CUSIP Number[1] – ___

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[*] *Preliminary; subject to change.*

SAN CARLOS SCHOOL DISTRICT
(SAN MATEO COUNTY, CALIFORNIA)

BOARD OF EDUCATION

Kathleen Farley, *President*
Nicole Bergeron, *Vice President*
Eirene Chen, *Clerk*
Michelle Nayfack, *Member*
Carol Elliott, *Member*

DISTRICT ADMINISTRATORS

Craig Baker, Ed.D., *Superintendent*
Robert Porter, *Chief Operations Officer*

PROFESSIONAL SERVICES

Financial Advisor

Keygent LLC
El Segundo, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Escrow Agent, Registrar and Transfer Agent

The Bank of New York Mellon Trust Company, N.A.,
Dallas, Texas

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 Refunding Bonds by 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 Refunding Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Refunding Bonds 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 furnished by the District, although obtained from sources which are believed to be reliable, 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 Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. 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 those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Refunding 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 Refunding 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 front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

$9,000,000*
SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
General Obligation Refunding Bonds, Series 2016

INTRODUCTION

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

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $9,000,000* aggregate initial principal amount of San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2016 (the "Refunding Bonds"), consisting of current interest bonds ("Current Interest Bonds") and capital appreciation bonds ("Capital Appreciation Bonds"), all as indicated on the inside front cover hereof, to be offered by the San Carlos School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds, the resolutions of the Board of Education of the District providing for the issuance of the Refunding Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Refunding Bonds are available from the District by contacting: San Carlos School District, 1200 Industrial Road, Unit 9, San Carlos, California 94070, Attention: Chief Operations Officer. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District is a political subdivision of the State of California, providing transitional kindergarten through eighth grade education to students who reside in and around the city of San Carlos. The District encompasses approximately four square miles and is located in the southern portion of San

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* *Preliminary; subject to change.*

Mateo County (the "County"), midway between the cities of San Francisco and San Jose. The District serves a population of approximately 27,000 and operates six schools, including five dependent charter schools. One additional school, an independent charter school, also operates in the District. The District's graduating students generally attend high school at Carlmont High School and Sequoia High School, which are part of the Sequoia Union High School District. Total assessed valuation of taxable property in the District in fiscal year 2015-16 is $7,828,048,524. The District operates under the jurisdiction of the San Mateo County Superintendent of Schools.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

THE REFUNDING BONDS

Authority for Issuance; Plan of Finance

The Refunding Bonds are issued by the District pursuant to the Constitution and laws of the State, including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and other applicable provisions of law, and pursuant to a resolution adopted by the Board of Education of the District on June 9, 2016, providing for the issuance of the Refunding Bonds (the "Resolution"). Proceeds from the Refunding Bonds will be used (i) to refund, on an advance basis, a portion of the outstanding San Carlos School District (County of San Mateo, California) General Obligation Bonds, Election 2005, Series 2008 (the "Series 2008 Bonds"), and (ii) to pay costs of issuance of the Refunding Bonds. See "−Plan of Refunding" and "−Estimated Sources and Uses of Funds" below.

Form and Registration

The Refunding Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or maturity value, as applicable, or integral multiples thereof. The Refunding Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Refunding Bonds. Purchases of Refunding Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Refunding Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Refunding Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Refunding Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds, all as set forth on the inside front cover page hereof.

Interest; Current Interest Bonds. The Refunding Bonds issued as Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on April 1 and October 1 of each year (each, an "Interest Date"), commencing on October 1, 2016, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Current Interest Bond shall bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Date (the "Record Date") and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

Interest; Capital Appreciation Bonds. The Refunding Bonds issued as Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity (on the basis of a 360-day year of twelve 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof ("Maturity Value"), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing October 1, 2016.

Accreted Values. The rate of interest at which a Capital Appreciation Bond's Maturity Value is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriter has prepared the Table of Accreted Values shown in Appendix G hereto, in order to provide the value per $5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity on each Interest Date.

Payment of Refunding Bonds. The principal, accreted value or maturity value of the Refunding Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Current Interest Bonds is payable in lawful money of the United States of America by check mailed on each Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Current Interest Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Refunding Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Redemption*

Optional Redemption. The Refunding Bonds issued as Current Interest Bonds maturing on or before October 1, 2026, are not subject to optional redemption prior to their respective stated maturity dates. The Refunding Bonds issued as Current Interest Bonds maturing on or after October 1, 2027, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any

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* *Preliminary; subject to change.*

source of available funds, as a whole or in part on any date on or after October 1, 2026, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Refunding Bonds issued as Capital Appreciation Bonds maturing on or before [April] 1, 2025, are not subject to redemption prior to their respective stated maturity dates. The Refunding Bonds issued as Capital Appreciation Bonds maturing on and after October 1, 2026, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after [April] 1, 2026, at a redemption price equal to the principal amount of the Capital Appreciation Bonds called for redemption plus accreted interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $__________ Term Refunding Bonds issued as Current Interest Bonds maturing on October 1, 20__, are subject to mandatory sinking fund redemption on October 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (October 1)	Principal Amount to be Redeemed
	$
†	

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, by any portion of the $__________ Term Refunding Bonds issued as Current Interest Bonds maturing on October 1, 20__ optionally redeemed prior to the mandatory sinking fund redemption date.

The $__________ Term Refunding Bonds issued as Current Interest Bonds maturing on October 1, 20__, are subject to mandatory sinking fund redemption on October 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (October 1)	Principal Amount to be Redeemed
	$
†	

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, by any portion of the $_________ Term Refunding Bonds issued as Current Interest Bonds maturing on October 1, 20__ optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Refunding Bonds for Redemption. If less than all of the Refunding Bonds are called for redemption, such Refunding Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Refunding Bond shall be deemed to consist of individual Refunding Bonds of denominations of $5,000 principal amount or maturity value, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Refunding Bond will be given by the Paying Agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate. See APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Refunding Bonds to be redeemed; (vi) if less than all of the Refunding Bonds of any maturity are to be redeemed, the distinctive numbers of the Refunding Bonds of each maturity to be redeemed; (vii) in the case of Refunding Bonds redeemed in part only, the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed; (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent or at such other place or places designated by the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Refunding Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Refunding Bonds called for redemption is set aside, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Refunding Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

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

Defeasance of Refunding Bonds

The District may pay and discharge all of any series of the Refunding Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Refunding Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on any series of the Refunding Bonds and remaining unclaimed for two years after the principal of all of such series of Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Plan of Refunding

The proceeds of the Refunding Bonds will be issued (i) to refund and defease, on an advance basis, the District's outstanding Series 2008 Bonds (maturing on October 1 in the years 2021*, 2033* and 2026,* and years 2031* through 2033,* inclusive) (the "Prior Bonds"), and (ii) to pay certain costs of issuance of the Refunding Bonds.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Prior Bonds to be Refunded*

Maturities to be Refunded	Principal Amount to be Refunded	CUSIP prior to Refunding	Redemption Date	Redemption Price
October 1, 2021	$265,000.00	797138 FP4	October 1, 2018	100%
October 1, 2023	230,000.00	797138 FQ2	October 1, 2018	100
October 1, 2026	500,000.00	797138 FR0	October 1, 2018	100
October 1, 2031	4,175,000.00	797138 FW9	October 1, 2018	100

* *Preliminary; subject to change.*

October 1, 2032	4,275,000.00	797138 FX7	October 1, 2018	100
April 1, 2033	4,360,000.00	797138 FY5	October 1, 2018	100

†CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

The maturities (or portions thereof) of the District's outstanding Series 2008 Bonds listed in the following table will not be refunded with proceeds of the Refunding Bonds.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Unrefunded Series 2008 Bonds

Maturity Date	Unrefunded Principal Amount	Maturity Value for CABs	CUSIP[(1)] prior to Refunding	CUSIP[(1)] post Refunding
October 1, 2027	$34,501.05	$215,000.00	797138 FQ2	797138 FQ2
October 1, 2028	34,291.20	235,000.00	797138 FR0	797138 FR0
October 1, 2029	34,499.40	260,000.00	797138 FW9	797138 FW9
October 1, 2030	33,784.80	280,000.00	797138 FY5	797138 FY5

†CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

The District and The Bank of New York Mellon Company, N.A., as escrow bank (the "Escrow Bank") will enter into the Escrow Agreement, dated as of July 1, 2016 (the "Escrow Agreement"), with respect to the Prior Bonds being refunded, pursuant to which the District will deposit a portion of the proceeds from the sale of the Refunding Bonds into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Prior Bonds, which will be held pursuant to the Escrow Agreement, will be sufficient to enable the Escrow Bank to pay the interest due on the redemption date (October, 2018), and to redeem such Prior Bonds at a redemption price equal to 100% of the principal amount of such Prior Bonds being refunded on the redemption date in accordance with the schedule set forth in the Escrow Agreement. See "ESCROW VERIFICATION" herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Refunding Bonds.

Estimated Sources and Uses of Funds

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

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
General Obligation Refunding Bonds, Series 2016

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Initial Principal Amount of Refunding Bonds	$
Plus/Less Original Issue Premium/Discount	
Total Sources of Funds	$
Uses of Funds:	
Escrow Fund	$
Costs of Issuance[1]	
Underwriter's Discount	
Total Uses of Funds	$

[1] Includes legal fees, rating agency fees, financial advisory fees, verification agent fees, printing fees and other miscellaneous expenses.

Debt Service

Debt service on the Refunding Bonds, assuming no early redemptions, is as shown in the following table.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
General Obligation Refunding Bonds, Series 2016

	Current Interest Bonds		Capital Appreciation Bonds		
Period Ending October 1,	Principal	Interest	Principal	Interest Paid at Maturity	Total Debt Service
2016	$	$	$	$	$
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033[1]					
Total:	$	$	$	$	$

[1] The final maturity date of the Refunding Bonds is expected to be April 1, 2033.

Outstanding Bonds

In addition to the Refunding Bonds (and not accounting for the planned refunding of the Prior Bonds with proceeds of the Refunding Bonds), the District has outstanding nine additional series of general obligation bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Refunding Bonds.

The District received authorization at an election held on June 3, 1997, to issue bonds of the District in an aggregate principal amount not to exceed $22 million to improve health and safety conditions of neighborhood schools, to relieve overcrowding and to replace inadequate or unsafe electronic, heating and structural systems, to improve and repair deteriorating roofs, plumbing and sewer systems, to eliminate hazards from asbestos, to upgrade children's rest rooms, and to construct and modernize school facilities (the "1997 Authorization"). The District issued four series of bonds under the 1997 Authorization (the "1997 Authorization Bonds"), including the San Carlos School District (San Mateo County, California) General Obligation Bonds, Election of 1997, Series 2005, in the aggregate principal amount of $250,000 (the "Series 2005 Bonds") which was the fourth and final series of authorized bonds to be issued under the 1997 Authorization. All 1997 Authorization Bonds except for the Series 2005 Bonds were paid at maturity or refunded with proceeds from the District's 2005 General

Obligation Refunding Bonds (the "Series 2005 Refunding Bonds"), issued by the District on April 14, 2005, in the aggregate principal amount of $21,415,000.

On November 24, 2015, the District issued its General Obligation Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds") in the aggregate principal amount of $11,275,000, to refund and defease, on a current basis, the outstanding Series 2005 Refunding Bonds.

At an election held on November 8, 2005, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed $38 million to finance specific construction and modernization projects approved by the voters, to make specific repairs and improvements at each of the District's six school campuses, including classroom renovations, repair and upgrade of roofs, electrical, plumbing, heating, sewers, and other major systems, and construction of new classrooms at Tierra Linda Campus (the "2005 Authorization"). On May 11, 2006, the County, on behalf of the District, issued the San Carlos School District (San Mateo County, California) General Obligation Bonds, Election of 2005, Series 2006A, in the initial aggregate principal amount of $32,818,664.75 (the "Series 2006 Bonds") as its first series of authorized bonds to be issued under the 2005 Authorization. On July 1, 2008, the County, on behalf of the District, issued the Series 2008 Bonds in the initial aggregate principal amount of $5,181,332.45, as its second and final series of authorized bonds to be issued under the 2005 Authorization. On September 13, 2012, the District issued the San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2012, in the aggregate principal amount of $27,930,000 (the "Series 2012 Refunding Bonds"). Proceeds of the Series 2012 Refunding Bonds were used to defease and refund a portion of the Series 2006 Bonds. On June 13, 2013, the District issued the San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2013, in the aggregate principal amount of $7,585,000 (the "Series 2013 Refunding Bonds"). Proceeds of the Series 2013 Refunding Bonds were used to advance refund and defease the outstanding Series 2006 Bonds, maturing in years 2017 through 2022, inclusive.

At an election held on November 6, 2012, the District received authorization under Measure H to issue bonds of the District in an aggregate principal amount not to exceed $72,000,000 to improve, repair and equip elementary and middle school facilities, including upgrading science and computer labs, libraries, classrooms and schools, adding classrooms and schools on existing sites to reduce overcrowding, renovating schools to meet health and safety standards, providing computers and other instructional technology equipment and infrastructure, and improving energy efficiency (the "2012 Authorization"). Measure H required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 68%. On June 13, 2013, the District issued $15,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2012, Series 2013 (the "Series 2013 Bonds") as its first series of bonds issued under the 2012 Authorization. On October 22, 2014, the District issued $20,997,899.30 aggregate initial principal amount of its General Obligation Bonds, Election of 2012, Series 2014 (the "Series 2014 Bonds") as its second series of bonds issued under the 2012 Authorization. On November 24, 2015, the District issued $35,999,653.75 aggregate initial principal amount of its General Obligation Bonds, Election of 2012, Series 2015 (the "Series 2015 Bonds"), as its third and final series of the authorized bonds to be issued under the 2012 Authorization. See "– Plan of Refunding" herein.

A summary of the District's outstanding general obligation bonded debt is set forth on the following page.

Aggregate Debt Service

The following table summarizes the annual aggregate debt service requirements of all outstanding bonds of the District (including the Refunding Bonds), assuming no early redemptions.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
General Obligation Bonds − Aggregate Debt Service

	1997 Authorization		2005 Authorization					2012 Authorization			
Period Ending October 1,	Series 2005 Bonds	Series 2015 Refunding Bonds	Series 2006 Bonds	Series 2008 Bonds[1][2]	Series 2012 Refunding Bonds	Series 2013 Refunding Bonds	Series 2016 Refunding Bonds	Series 2013 Bonds	Series 2014 Bonds	Series 2015 Bonds	Aggregate Total Debt Service
2016	$2,750	$1,614,274	$835,000	$68,055	$1,058,075	$272,300	$	$596,150	$626,600	$1,699,772	$6,772,976
2017	2,750	1,448,125	-	77,055	1,060,200	1,167,300		596,150	626,600	1,188,188	6,166,368
2018	2,750	1,456,925	-	85,655	1,062,025	1,265,450		596,150	626,600	1,273,188	6,368,743
2019	2,750	1,478,725	-	98,855	1,058,550	1,369,750		596,150	626,600	1,384,788	6,616,168
2020	2,750	1,492,925	-	106,455	1,059,925	1,478,350		596,150	626,600	1,501,788	6,864,943
2021	2,750	1,507,675	-	123,655	1,061,000	1,595,750		596,150	626,600	1,628,788	7,142,368
2022	2,750	1,527,075	-	135,055	1,061,775	1,721,200		701,150	626,600	1,650,538	7,426,143
2023	2,750	1,305,825	-	150,750	2,987,925	-		728,000	626,600	1,755,038	7,556,888
2024	2,750	1,332,325	-	165,625	3,123,475	-		758,950	626,600	1,868,038	7,877,763
2025	52,750	544,575	-	179,644	3,267,725	-		787,150	956,600	1,653,788	7,442,232
2026	-	-	-	197,838	3,415,300	-		818,950	1,011,600	1,721,950	7,165,638
2027	-	-	-	215,000	3,580,900	-		851,700	1,056,600	1,803,400	7,507,600
2028	-	-	-	235,000	3,738,700	-		887,200	1,106,600	1,883,400	7,850,900
2029	-	-	-	260,000	3,908,775	-		925,200	1,156,600	1,973,400	8,223,975
2030	-	-	-	280,000	4,090,450	-		960,450	1,211,600	2,063,400	8,605,900
2031	-	-	-	4,175,000	-	-		997,950	1,266,600	2,163,400	8,602,950
2032	-	-	-	4,275,000	-	-		1,039,463	1,326,600	2,258,400	8,899,463
2033	-	-	-	4,360,000[3]	-	-		1,078,088	1,386,600	2,368,400	9,193,088
2034	-	-	-	-	-	-		1,124,463	1,451,600	2,473,400	5,049,463
2035	-	-	-	-	-	-		1,169,463	1,516,600	2,593,400	5,279,463
2036	-	-	-	-	-	-		1,215,463	1,586,600	2,713,400	5,515,463
2037	-	-	-	-	-	-		1,262,213	1,661,600	2,838,400	5,762,213
2038	-	-	-	-	-	-		1,314,463	1,741,600	2,965,000	6,021,063
2039	-	-	-	-	-	-		1,365,944	1,821,600	3,108,600	6,296,144
2040	-	-	-	-	-	-		1,418,506	1,906,600	3,253,200	6,578,306
2041	-	-	-	-	-	-		1,476,944	2,062,600	3,333,400	6,872,944
2042	-	-	-	-	-	-		1,535,844	2,157,600	3,491,400	7,184,844
2043	-	-	-	-	-	-		-	3,751,400	3,753,800	7,505,200
2044	-	-	-	-	-	-		-	3,938,800	3,906,000	7,844,800
2045	-	-	-	-	-	-		-	4,118,400	4,076,800	8,195,200
Total	$77,500	$13,708,449	$835,000	$15,188,642	$35,534,800	$8,870,100	$	$25,994,450	$43,833,800	$70,346,464	$214,389,205

(1) Does not reflect the planned refunding of the Prior Bonds from proceeds of the Refunding Bonds.
(2) Numbers may not total due to individual rounding.
(3) Matures April 1.

SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Refunding Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Refunding Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

The District has pledged all revenues from the *ad valorem* taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Refunding Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in each Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the related series of Bonds. The Bond Resolution provides that the property taxes and amounts held in each Interest and Sinking Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in each Interest and Sinking Fund to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. This pledge constitutes an agreement between the District and the owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance one or more of the projects specified in the applicable voter-approved measure.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due, as ex-officio treasurer of the school district.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2015-16 assessed value of $7,828,048,524. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See "*– Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

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

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

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal year 2011-12 through 2015-16.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Assessed Valuations
Fiscal Years 2011-12 through 2015-16

Fiscal Year	Local Secured	Utility	Unsecured	Total
2011-12	$6,117,231,605	$8,907	$216,806,280	$6,334,046,792
2012-13	6,353,731,524	8,984	202,796,165	6,556,536,673
2013-14	6,723,219,358	7,723	221,949,704	6,945,176,785
2014-15	7,090,927,753	7,332	214,157,959	7,305,093,044
2015-16	7,619,292,493	167,839	208,588,192	7,828,048,524

Source: California Municipal Statistics, Inc.

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

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

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. However, pursuant to Section 33050 *et seq.* of the Education Code, the governing board of a school district or a county board of education, on a districtwide or countywide basis or on behalf of one or more of its schools or programs, after a public hearing on the matter, may request the State Board of Education to waive all or part of any section of the Education Code or any regulation adopted by the State Board of Education that implements a provision of the Education Code that may be waived, except for certain specified provisions of the Education Code set forth in Education Code Section 33050(a). In the bond measure approving the 2012 Authorization, it was recognized that the issuance of all of the authorized bonds might require the outstanding debt of the District to exceed its statutory bonding limit and, in order for the District to complete critical projects authorized by the 2012 Authorization in a timely and cost effective manner, the Board of Education of the District is obtaining a waiver of its bonding limit from the State Board of Education, permitting the District to issue bonds in an amount up to 1.59% of the assessed valuation of taxable property of the District. With the effect of the waiver, the District's fiscal year 2015-16 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $124.466 million and its net bonding capacity is approximately $3.905 million (taking into account current outstanding debt before issuance of the Refunding Bonds and not accounting for the refunding of the Prior Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed value of the District that resides in the cities of Redwood City and San Carlos and unincorporated portion of the County.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
2015-16 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Redwood City	$103,376,373	1.32%	$18,795,401,919	0.55%
City of San Carlos	7,503,873,107	95.86	$8,677,344,782	86.48%
Unincorporated San Mateo County	220,799,044	2.82	$17,762,610,880	1.24%
Total District	$7,828,048,524	100.00%		
San Mateo County	$7,828,048,524	100.00%	$178,356,774,210	4.39%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2015-16 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
2015-16 Assessed Valuation and Parcels by Land Use

	Assessed Valuation		Parcels	% of Total
Type of Property	2015-16 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	$586,977,569	7.70%	416	3.99%
Industrial	444,126,592	5.83	335	3.22
Recreational	14,159,534	0.19	5	0.05
Government/Social/Institutional	10,228,720	0.13	48	0.46
Miscellaneous	15,466,441	0.20	74	0.71
Subtotal Non-Residential	$1,070,958,856	14.06%	878	8.43%
Residential:				
Single Family Residence	$5,496,626,558	72.14%	7,711	74.04%
Condominium/Townhouse	607,668,013	7.98	1,227	11.78
Hotel/Motel	31,040,367	0.41	7	0.07
2-4 Residential Units	114,201,098	1.50	161	1.55
5+ Residential Units/Apartments	250,559,742	3.29	185	1.78
Subtotal Residential	$6,500,095,778	85.31%	9,291	89.21%
Vacant Parcels	$48,237,859	0.63%	246	2.36%
TOTAL	$7,619,292,493	100.00%	10,415	100.00%

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2015–16.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
2015-16 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	7,711	$5,496,626,558	$712,829	$661,366

2015-16 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	371	4.811%	4.811%	$32,032,289	0.583%	0.583%
$100,000 - $199,999	1,109	14.382	19.193	150,630,815	2.740	3.323
$200,000 - $299,999	450	5.836	25.029	113,714,685	2.069	5.392
$300,000 - $399,999	460	5.966	30.995	161,082,849	2.931	8.323
$400,000 - $499,999	499	6.471	37.466	224,583,222	4.086	12.408
$500,000 - $599,999	613	7.950	45.416	336,848,449	6.128	18.537
$600,000 - $699,999	541	7.016	52.432	349,431,868	6.357	24.894
$700,000 - $799,999	532	6.899	59.331	399,136,737	7.261	32.155
$800,000 - $899,999	616	7.989	67.329	522,607,881	9.508	41.663
$900,000 - $999,999	559	7.249	74.569	528,705,212	9.619	51.282
$1,000,000 - $1,099,999	466	6.043	80.612	487,888,357	8.876	60.158
$1,100,000 - $1,199,999	331	4.293	84.905	380,100,706	6.915	67.073
$1,200,000 - $1,299,999	236	3.061	87.965	294,763,899	5.363	72.436
$1,300,000 - $1,399,999	239	3.099	91.065	321,485,371	5.849	78.285
$1,400,000 - $1,499,999	173	2.244	93.308	250,746,819	4.562	82.846
$1,500,000 - $1,599,999	131	1.699	95.007	202,341,561	3.681	86.528
$1,600,000 - $1,699,999	111	1.440	96.447	182,721,193	3.324	89.852
$1,700,000 - $1,799,999	72	0.934	97.380	125,713,448	2.287	92.139
$1,800,000 - $1,899,999	60	0.778	98.158	110,959,730	2.019	94.158
$1,900,000 - $1,999,999	34	0.441	98.599	66,069,190	1.202	95.360
$2,000,000 and greater	108	1.401	100.000	255,062,277	4.640	100.000
Total	7,711	100.000%		$5,496,626,558	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2015-16 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Largest 2015-16 Local Secured Taxpayers

	Property Owner	Primary Land Use	2015-16 Assessed Valuation	Percent of Total[1]
1.	Hudson Skyway Landing LLC	Office Building	$75,135,794	0.99%
2.	Black Mountain Holdings LLC	Industrial	43,497,569	0.57
3.	L-3 Communications Corporation	Industrial	39,194,050	0.51
4.	Cole of Redwood City CA LP	Office Building	36,846,777	0.48
5.	101 Redwood Shores LLC	Office Building	30,609,919	0.40
6.	San Carlos Retail Venture LP	Shopping Center	22,354,762	0.29
7.	ECI Two San Carlos LLC	Industrial	20,021,663	0.26
8.	Brittan Corners Shopping Center LLC	Shopping Center	19,336,288	0.25
9.	Kelly-Moore Paint Co. Inc.	Industrial	18,571,228	0.24
10.	S. Stephen Nakashima Trust	Office Building	18,543,397	0.24
11.	Trinity Investment Co. LP	Apartments	17,474,256	0.23
12.	HD Development of Maryland Inc.	Commercial	15,852,948	0.21
13.	California Water Service Co.	Water Company	14,905,414	0.20
14.	LSP Properties LLC	Shopping Center	13,936,905	0.18
15.	Bay Club Peninsula LLC	Recreational	13,057,642	0.17
16.	San Carlos Industrial Enterprises LLC	Industrial	12,750,000	0.17
17.	Redwood Suites LLC	Hotel	12,612,609	0.17
18.	Russell A. Margiotta Trust	Industrial	11,080,745	0.15
19.	Djem Laurel Theater LLC	Apartments	10,687,113	0.14
20.	Public Storage Properties IV Ltd.	Industrial	10,124,429	0.13
			$456,593,508	5.99%

[1] 2015-16 local secured assessed valuation: $7,619,292,493
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* above.

Tax Rates

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

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

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 11-001). This Tax Rate Area comprises approximately 76.98% of the total fiscal year 2015-16 assessed value of the District.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 11-001)
Fiscal Years 2011-12 Through 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of San Carlos	.0089	.0088	.0084	.0082	.0042
Midpeninsula Open Space District	-	-	-	-	.0008
San Carlos School District	.0535	.0528	.0775	.0768	.0725
Sequoia Union High School District	.0358	.0356	.0313	.0433	.0434
San Mateo Community College District	.0199	.0194	.0194	.0190	.0250
Total Tax Rate	1.1181%	1.1166%	1.1366%	1.1473%	1.1459%

Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Refunding Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $40 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table sets forth real property tax charges and corresponding delinquencies with respect to property located in the District for fiscal years 2010-11 through 2014-15.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2010-11 Through 2014-15

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent June 30	Percent Delinquent June 30
2010-11	$3,145,272.00	$36,283.50	1.15%
2011-12	3,242,338.22	32,808.78	1.01
2012-13	3,330,413.77	33,411.81	1.00
2013-14	5,174,596.95	26,500.64	0.51
2014-15	5,404,590.94	26,829.17	0.50

[1] Debt service levy.
Source: California Municipal Statistics, Inc.

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the District, receives the full amount of uncollected taxes credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district bonds.

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

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective June 1, 2016 for debt issued as of May 24, 2016. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth 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 column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Statement Of Direct And Overlapping Bonded Debt

2015-16 Assessed Valuation: $7,828,048,524

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[(1)]	Debt 6/1/16
San Mateo Community College District	4.389%	$28,282,015
Sequoia Union High School District	10.459	43,856,679
San Carlos School District	100.000	120,560,565[(1)]
City of San Carlos	86.389	3,619,699
Midpeninsula Regional Open Space Park District	3.344	1,504,800
Redwood City Redwood Shores Community Facilities District No. 99-1	5.054	453,597
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$198,277,355
OVERLAPPING GENERAL FUND DEBT:		
San Mateo County Certificates of Participation	4.389%	$18,976,272
San Mateo County Board of Education Certificates of Participation	4.389	434,072
City of Redwood City General Fund Obligations	0.550	9,414
City of San Carlos General Fund Obligations	86.389	6,006,861
Midpeninsula Regional Open Space Park District General Fund Obligations	3.344	4,101,780
TOTAL OVERLAPPING GENERAL FUND DEBT		$29,528,399
OVERLAPPING TAX INCREMENT DEBT:		
San Carlos Redevelopment Agency (Successor Agency)	85.697%	$11,020,634
TOTAL OVERLAPPING TAX INCREMENT DEBT		$11,020,634
COMBINED TOTAL DEBT		$238,826,388[(2)]

Ratios to 2015-16 Assessed Valuation:
Direct Debt ($120,560,565) 1.54%
Total Overlapping Tax and Assessment Debt.................................2.53%
Combined Total Debt..3.05%

Ratios to Redevelopment Incremental Valuation ($660,799,458):
Total Overlapping Tax Increment Debt 1.67%

(1) Excludes the Refunding Bonds; excludes accreted value; includes Prior Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Refunding Bonds is less than the amount to be paid at maturity of such Refunding Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Refunding Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Refunding Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Refunding Bonds is the first price at which a substantial amount of such maturity of the Refunding Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Refunding Bonds accrues daily over the term to maturity of such Refunding Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Refunding Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Refunding Bonds. Beneficial Owners of the Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Refunding Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Refunding Bonds in the original offering to the public at the first price at which a substantial amount of such Refunding Bonds is sold to the public.

Refunding Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Refunding Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Refunding Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Refunding Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Refunding Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Refunding Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Refunding Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Refunding Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Refunding Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Refunding Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Refunding Bonds ends with the issuance of the Refunding Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Refunding Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Refunding Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Refunding Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Refunding Bonds and certain other legal matters are subject to the approving opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Refunding Bonds at the time of issuance of such series substantially in the forms set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Nossaman LLP.

Legality for Investment in California

Under the provisions of the California Financial Code, the Refunding Bonds are a legal investment for commercial banks in California to the extent that the Refunding Bonds, in the informed opinion of the bank, is prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Refunding Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Refunding Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2015-16 fiscal year (which is due no later than April 1, 2017) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORMS OF CONTINUING DISCLOSURE CERTIFICATES." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

[In the preceding five years, the District has not failed to comply in all material respects with its previous undertakings with regard to said Rule. The District did not timely file certain rating changes of the bond insurer for certain of its bonds. However, the District has since filed such rating changes of the bond insurers.]

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Refunding Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Refunding Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Refunding Bonds or District officials who will sign certifications relating to the Refunding Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Refunding Bonds.

The District is occasionally subject to lawsuits and claims. 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 financial position or operations of the District.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected receipts of principal and interest on the government obligations, and the projected payments of principal, redemption premium, if any, and interest to retire the Prior Bonds to be refunded will be verified by Causey, Demgen & Moore, P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Rating

Standard & Poor's Ratings Services has assigned its rating of "___" to the Refunding Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Refunding Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Refunding Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Refunding Bonds, and will receive compensation contingent upon the sale and delivery of the Refunding Bonds. Keygent LLC is acting as the District's Financial Advisor with respect to the Refunding Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter's Counsel with respect to the Refunding Bonds. Payment of the fees and expenses of the Financial Advisor and Underwriter's Counsel is also contingent upon the sale and delivery of the Refunding Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Refunding Bonds.

Underwriting

The Refunding Bonds are being purchased for reoffering to the public by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), pursuant to the terms of a bond purchase agreement executed on __________, 2016, by and between the Underwriter and the District (the "Purchase Agreement"). The Underwriter has agreed to purchase the Refunding Bonds at a price of $__________. The Purchase Agreement provides that the Underwriter will purchase all of the Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Refunding Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Campaign Contributions

Participants in these bond issues may have made voluntary contribution(s) to the committee that was formed to support the election(s) authorizing the Refunding Bonds and/or to other committees supporting other bond elections of the District. These contributions are reported to the California Secretary of State by the filing of a Major Donor and Independent Expenditure Committee Campaign Statement (California Fair Political Practices Commission Form 461).

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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

The District has duly authorized the delivery of this Official Statement.

SAN CARLOS SCHOOL DISTRICT

By: ____________________________________
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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

THE DISTRICT

Introduction

The District is a political subdivision of the State of California, providing transitional kindergarten through eighth grade education to students who reside in and around the city of San Carlos. The District encompasses approximately four square miles and is located in the southern portion of San Mateo County (the "County"), midway between the cities of San Francisco and San Jose. The District serves a population of approximately 27,000 and operates six schools, including five dependent charter schools. One additional school, an independent charter school, also operates in the District. The District's graduating students generally attend high school at Carlmont High School and Sequoia High School, which are part of the Sequoia Union High School District. Total assessed valuation of taxable property in the District in fiscal year 2015-16 is $7,828,048,524. The District operates under the jurisdiction of the County of San Mateo Superintendent of Schools.

The District is unusual among California school districts in that it operates only one regular District school and directly operates five "dependent" charter schools. Such schools are managed and governed directly by the District. The "independent" charter school, San Carlos Charter Learning Center, is operated by its own governing board under charter from the District. See "−Charter Schools" below for more information.

Board of Education

The District is governed by a five-member Board of Education (the "District Board"), each member of which is elected by voters within the District to serve alternating four-year terms. The District Board consists of five voting members. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December the District Board elects a President, Vice President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)

Board of Education

Name	Office	Term Expires
Kathleen Farley	President	December 2017
Nicole Bergeron	Vice President	December 2017
Eirene Chen	Clerk	December 2019
Michelle Nayfack	Member	December 2019
Carol Elliott	Member	December 2017

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the District Board and reports to the District Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Dr. Craig Baker was board-appointed as Superintendent in 2009. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Craig Baker, Ed.D., Superintendent. Dr. Baker joined the District as Superintendent in July 2009. He has over 25 years of experience in public education as a teacher, principal, and assistant superintendent with both the Pàjaro Valley Unified School District and the Redwood City School District. Dr. Baker also spent several years as Director of Leadership Schools for the Bay Area School Reform Collaborative (BASRC) and served two years on the School Board for the Redwood City School District. Dr. Baker was previously the Executive Director of the John W. Gardner Center for Youth and their Communities and the Executive Director of the Robert N. Noyce Center for Learning at the Tech Museum of Innovation in San Jose. He received his Bachelor's and Master of Science degrees in psychology and education, respectively, from the University of California at Santa Cruz, his School Administration Credential from San Jose State University, and his doctorate in education from the University of San Francisco.

Robert Porter, Chief Operations Officer. Mr. Porter joined the District as Chief Operations Officer in July 2012. Prior to joining the District, Mr. Porter served as the Chief Financial Officer of Immaculate Conception Academy (ICA) in San Francisco. Before joining ICA, Mr. Porter worked in the financial services sector for over 25 years as a capital markets specialist and financial analyst, including as Managing Director and Global Head of short-term debt origination for Bank of America Merrill Lynch. Before his investment banking experience, Mr. Porter was an analyst at Stanford University in the Business and Finance Department. Mr. Porter received his Master of Business Administration in finance from the University of Chicago and Bachelor of Arts degrees in history and English literature from Claremont McKenna College.

Charter Schools

Independent charter schools operate as autonomous public schools, governed by their own board, under charter from a school district, a county office of education or the State Board of Education, with minimal supervision by the local school district. Currently, one independent charter school, San Carlos Charter Learning Center (grades K-8), operates in the District with projected A.D.A. for fiscal year 2015-16 of 362 students. The District also has five "dependent" charter schools, consisting of Arundel School (grades K-4), Brittan Acres School (grades K-4), Heather School (grades K-4), White Oaks School (grades K-4) and Tierra Linda Middle School (grades 5-8), with a projected aggregate A.D.A. for fiscal year 2015-16 of 2,461 students. The District also has one regular District school, Central Middle School (grades 5-8), with projected A.D.A. for fiscal year 2015-16 of 685 students. For a larger discussion on the District's charter schools, see "DISTRICT FINANCIAL MATTERS – Charter Schools" below.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "– Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects to receive approximately 15.2% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $14.3 million in fiscal year 2015-16. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "− Allocation of State Funding to School Districts; Local Control Funding Formula – Attendance and LCFF" and "− Other District Revenues – Other State Revenues" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented a new funding formula for school finance system called the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF"). Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

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

1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2015-16 State budget on June 24, 2015.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of White v. Davis (also referred to as Jarvis v. Connell), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the White v. Davis decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the White v. Davis decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to the years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education

Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Refunding Bonds, and the District takes no responsibility for informing owners of the Refunding Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov,** under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov.** In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov.** The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Rainy Day Fund; SB 858. In connection with the 2014-15 State Budget, the Governor proposed certain constitutional amendments ("Proposition 2") to the rainy day fund (the "Rainy Day Fund") for the November 2014 Statewide election. Senate Bill 858 (2014) ("SB 858") amends the Education Code to, among other things, limit the amount of reserves that may be maintained by a school district subject to certain State budget matters. Upon the approval of Proposition 2, SB 858 became operational. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for the California State Teachers' Retirement System ("CalSTRS"), increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See "– Retirement Benefits – CalSTRS" herein for more information about CalSTRS and AB 1469.

2015-16 State Budget. The Governor signed the fiscal year 2015-16 State budget (the "2015-16 State Budget") on June 24, 2015. The 2015-16 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years and setting aside reserves. The 2015-16 State Budget increases spending on education, health care, in-home supportive services, workforce development, drought assistance and the judiciary. The 2015-16 State Budget projects $115 billion in revenues and transfers, a 3% increase over fiscal year 2014-15. By the end of fiscal year 2015-16, the State's Rainy Day Fund is expected to have a balance of approximately $3.5 billion. Under the 2015-16 State Budget, the State is expected to repay the remaining $1 billion in deferrals to schools and community colleges, make the final payment on the $15 billion in Economic Recovery Bonds used to cover budget deficits since 2002, and reduce outstanding mandate liabilities owed to schools and community colleges by $3.8 billion.

As it relates to K-12 education, the 2015-16 State Budget provides total funding of $83.2 billion ($49.7 billion in general funds and $33.5 billion in other funds). The 2015-16 State Budget provides Proposition 98 funding for all K-14 education of $68.4 billion, an increase of $7.6 billion over fiscal year 2014-15. Since fiscal year 2011-12, Proposition 98 funding for K-12 education has grown by more than $18.6 billion, representing an increase of more than $3,000 per student.

Certain budget adjustments for K-12 programs include the following:

- Local Control Funding Formula. An increase of $6 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families and youth in foster care. This increase will close the remaining funding implementation gap by more than 51%.

- Career Technical Education. The 2015-16 State Budget establishes the Career Technical Education ("CTE") Incentive Grant Program and provides $400 million, $300 million and $200 million Proposition 98 general funds in fiscal years 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high quality CTE programs.

- Educator Support. An increase of $500 million in one-time Proposition 98 general funds for educator support. Of this amount, $490 million is for activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development aligned to the State academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the State special schools in an equal amount per certificated staff and are available for expenditure over the next three years.

- Special Education. The 2015-16 State Budget includes $60.1 million in Proposition 98 general funds ($50.1 million ongoing and $10 million one time) to implement selected program changes recommended by the task force, making targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.

- K-12 High-Speed Internet Access. An increase of $50 million in one-time Proposition 98 funds to support additional investments in internet connectivity and infrastructure, building on the $26.7 million in one time Proposition 98 funding that was provided in fiscal year 2014-15. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.

- K-12 Mandates. An increase of $3.2 billion in one time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State mandated programs. These funds are expected to provide a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- K-12 Deferrals. The 2015-16 State Budget provides $897 million Proposition 98 in general funds to eliminate deferrals consistent with the revenue trigger included in the fiscal year 2014-15 State budget.

The complete 2015-16 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2016-17 State Budget. The Governor released his proposed fiscal year 2016-17 State budget (the "2016-17 Proposed State Budget") on January 7, 2016. The 2016-17 Proposed State Budget proposes a balanced budget for Fiscal Year 2016-17. The Governor proposes to use funds to pay down outstanding budgetary borrowing including loans from special funds, Proposition 98 settle up obligations, transportation loans, and pension liabilities related to University of California employees. The 2016-17 Proposed State Budget estimates that total resources available in fiscal year 2015-16 will be approximately $121.2 billion (including a prior year balance of $3.7 billion) and total expenditures in fiscal year 2015-16 will be approximately $116.1 billion. The 2016-17 Proposed State Budget projects total resources available for fiscal year 2016-17 of $125.8 billion, inclusive of revenues and transfers of $120.6 billion and a prior year balance of $5.17 billion. The 2016-17 Proposed State Budget projects total expenditures of $122.6 billion, inclusive of non-Proposition 98 expenditures of $71.6 billion and Proposition 98 expenditures of $50.97 billion. The 2016-17 Proposed State Budget proposes to allocate $966 million of the State general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.2 billion of such fund balance to the State's Special Fund for Economic Uncertainties.

The 2016-17 Proposed State Budget prioritizes a balanced budget for the long term and fully funding the State's Rainy Day Fund (the "Rainy Day Fund"). The Governor projects that the Rainy Day Fund will have a balance of approximately $6 billion in fiscal year 2016-17. The 2016-17 Proposed State Budget proposes to make an additional $2 billion deposit during fiscal year 2016-17 to bring the balance of the Rainy Day Fund to $8 billion, which is approximately 65% of the target balance. For more information about the Rainy Day Fund, see "– 2015-16 State Budget – Rainy Day Fund" above.

Despite budgetary improvements as compared to recent years, the 2016-17 Proposed State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that the additional revenues from Proposition 30 will expire in 2016 (with respect to the sales tax increase) and 2018 (with respect to the income tax increase). Further, the 2016-17 Proposed State Budget cautions that the State should address several risks, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget's heavy dependency on the performance of the stock market, the high levels of State debts and liabilities, including unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure.

Certain workload adjustments and budgetary proposals for K-12 education set forth in the 2016-17 Proposed State Budget include the following:

- School District Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to provide $2.8 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to eliminate almost 50% of the remaining funding gap between actual funding and the target level of funding. The Governor estimates that total Local Control Funding Formula implementation is now 95%.

- County Offices of Education Local Control Funding Formula. An increase of $1.7 million Proposition 98 General Fund to support a cost-of-living adjustment and A.D.A. changes for county offices of education.

- Proposition 98 Minimum Guarantee. The 2016-17 Proposed State Budget proposes Proposition 98 funding of $71.6 billion, inclusive of State and local funds, for fiscal year 2016-17 which is expected to satisfy the Proposition 98 minimum guarantee.

- Early Education Block Grant. The 2016-17 Proposed State Budget proposes a $1.6 billion early education block grant for local educational agencies that will combine Proposition 98 funding from the State Preschool Program, transitional kindergarten, and the preschool Quality Rating and Improvement System Grant.

- Mandate Claims. The 2016-17 Proposed State Budget proposes to allocate approximately $1.28 billion in one-time moneys to reduce outstanding mandate claims by school districts charter schools, and county offices of education.

- Career Technical Education. The 2015-16 State Budget included resources to support the first year of the Career Technical Education Incentive Grant program, a transitional education and workforce development initiative administered by the California Department of Education. Pursuant to the program, the State will allocate $400 million in fiscal year 2015-16, $300 million in fiscal year 2016-17, and $200 million in 2017-18 in the form of competitive matching grants to school districts, county offices, of education, and charter schools.

- One-Time Discretionary Funding. The 2016-17 Proposed State Budget proposes an increase of more than $1.2 billion in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion.

- Charter School Growth. The 2016-17 Proposed State Budget proposes an increase of $61 million Proposition 98 General Fund to support projected charter school A.D.A. growth.

- Charter School Startup Grants. The 2016-17 Proposed State Budget proposes an increase of $20 million one-time Proposition 98 General Fund to support operational startup costs for new charter schools in 2016 and 2017, which is expected to partially offset the loss of federal funding previously available for such purpose.

- Systems of Learning and Behavioral Supports. The 2016-17 Proposed State Budget proposes an increase of $30 million one-time Proposition 98 General Fund resources to build upon the $10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way.

- Special Education. The 2016-17 Proposed State Budget proposes a decrease of $15.5 million Proposition 98 General Fund to reflect a projected decrease in Special Education A.D.A.

- Cost-of-Living Adjustment Increases. The 2016-17 Proposed State Budget proposes an increase of $22.9 million Proposition 98 General Fund to support a 0.47% cost-of-living adjustment for categorical programs, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early

Childhood Education Program, which are not funded within the Local Control Funding Formula.

- Local Property Tax Adjustments. The 2016-17 Proposed State Budget proposes a decrease of $149.4 million Proposition 98 General Fund for school districts and county offices of education in fiscal year 2015-16 as a result of higher offsetting property tax revenues. In addition, the Governor proposes a decrease of $1.2 billion in Proposition 98 General Fund for school districts and county offices of education in fiscal year 2016-17 as a result of increased offsetting local property tax revenues due to, principally, the end of the "triple flip."

- School District Average Daily Attendance. As a result of a decrease in projected ADA from the 2015-16 State Budget, the 2016-17 Proposed Budget proposes a decrease of $150.1 million in 2015-16 for school districts and a decrease of $34.1 million in fiscal year 2016-17 for school districts.

- Proposition 39. Proposition 39, the California Clean Energy Jobs Act of 2012, has provided increased corporate tax revenues in the State. For fiscal year 2013-14 through fiscal year 2017-18, Proposition 39 requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency. The 2016-17 Proposed State Budget proposes to allocate $365.4 million to support school district and charter school energy efficiency projects in fiscal year 2016-17.

- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 Proposed State Budget proposes to allocate approximately $7.3 million of such funds to, among other things, truancy reduction, dropout prevention and crime prevention efforts relating to K-12 students. The Governors expects to count such funds towards the Proposition 98 minimum guarantee.

The complete 2016-17 Proposed State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of 2016-17 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2016-17 Proposed State Budget entitled "The 2016-17 Budget: Overview of the Governor's Budget" on January 11, 2016 (the "2016-17 Proposed Budget Overview"), in which the LAO commends the State for its emphasis on increasing it budget reserves. The LAO notes that such an approach is prudent, as a large reserve may be essential to weathering the next recession. Further, the LAO is generally supportive of the Governor's priorities and the 2016-17 Proposed State Budget's focus on infrastructure, which the LAO notes is aging and in need of renovation and improvements. Nevertheless, the LAO warns that budget vulnerability remains and that cautious budgetary decision making is necessary. For example, the LAO suggests the State begin with robust targets for fiscal year 2016-17 budget reserves and take a measured approach to spending in order to better position the State for any near-term economic downturn.

With respect to the Proposition 98 budget plan in the 2016-17 Proposed State Budget, the LAO believes the Governor's estimated local property tax revenue counting toward Proposition 98 is approximately $1 billion less than its estimate for 2015-16 and 2016-17. If local property tax revenue comes in higher than the Governor's administration expects, Proposition 98 General Fund costs will be correspondingly lower. However, the LAO cautions that the proposed use of Proposition 98 funding in fiscal year 2016-17 may provide inadequate protection against economic downturn. Thus, the LAO advises against committing all available 2016-17 Proposition 98 funds to ongoing purposes, as a sustained economic slowdown could force the State to cut programs and potentially backpedal in its implementation of the Local Control Funding Formula.

The 2016-17 Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

May Revision to the 2016-17 Proposed State Budget. The Governor released his May Revision to the proposed fiscal year 2016-17 State budget (the "2016-17 May Revision") on May 13, 2016. The 2016-17 May Revision proposes a balanced budget for Fiscal Year 2016-17. The Governor proposes to use funds from Proposition 2 to pay down outstanding budgetary borrowing and to make contributions to the Rainy Day Fund. However, the Governor has reduced the amount proposed for such uses from the amounts proposed in the 2016-17 Proposed State Budget. The 2016-17 May Revision estimates that total resources available in fiscal year 2015-16 will be approximately $120.4 billion (including a prior year balance of $3.4 billion) and total expenditures in fiscal year 2015-16 will be approximately $115.6 billion. The 2016-17 May Revision projects total resources available for fiscal year 2016-17 of $124.9 billion, inclusive of revenues and transfers of $120.8 billion and a prior year balance of $4.8 billion. The 2016-17 May Revision projects total expenditures in fiscal year 2016-17 of $122.2 billion, inclusive of non-Proposition 98 expenditures of $71.1 billion and Proposition 98 expenditures of $51.1 billion. The 2016-17 May Revision proposes to allocate $966 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $1.8 billion of such fund balance to the State's Special Fund for Economic Uncertainties.

Despite budgetary improvements as compared to recent years, the 2016-17 May Revision acknowledges that there will continue to be year-to-year economic fluctuations, risks and cost pressures, including from the federal government and ballot initiatives. In addition, fiscal year 2015-16 will be the final year with full revenues relating to Proposition 30. The Governor has requested that the State avoid any significant, new and ongoing spending commitments until voters approve the extension of taxes imposed under Proposition 30. However, the State entered into considerable ongoing commitments since the adoption of Proposition 30. Absent corrective action, the Governor states that these ongoing commitments will cause the State to engage in deficit spending once Proposition 30 revenues terminate.

Certain workload adjustments and budgetary proposals for K-12 education set forth in the 2016-17 May Revision include the following:

- Proposition 98 Minimum Guarantee. The 2016-17 May Revision projects Proposition 98 funding of $71.9 billion, inclusive of State and local funds, for fiscal year 2016-17. Such amount is expected to satisfy the Proposition 98 minimum guarantee.

- School District Local Control Funding Formula. The 2016-17 May Revision projects that the State will provide to local education agencies approximately $2.9 billion to continue the implementation of the LCFF. The 2016-17 Proposed State Budget proposes to reduce the remaining funding gap between actual funding and the target level of funding. The Governor estimates that, if such funding level is approved, the LCFF will be approximately 95.7% implemented in fiscal year 2016-17.

- Early Education. The 2016-17 May Revision sets forth an implementation plan for the Governor's proposed $1.6 billion early education block grant. The 2016-17 May Revision proposes a program pursuant to which school districts will administer early education programs and county offices of education will provide technical support. In addition, if implemented, the State would maintain current levels of funding for school districts as the transition to the block grant occurs.

- Emergency Repair Revolving Loan Program. The 2016-17 May Revision proposes to allocate $100 million in one-time Proposition 98 General Fund to establish a bridge loan program to provide temporary funding to schools with insufficient resources to address imminent health and safety issues relating facility repair and replacement. The program, if implemented, will permit school district to repay the loan in full within one year of disbursement without interest or structure the loan with a low-interest repayment plan not to exceed 20 years.

- Local Property Tax Adjustments. The 2016-17 May Revision proposes a decrease of $196.5 million of Proposition 98 General Fund in fiscal year 2015-16 and $211.3 in fiscal year 2016-17 for school districts, special education local plan areas, and county offices of education. The State projects higher local property tax revenues will offset such decrease.

- Special Education Property Tax Adjustment. The 2016-17 May Revision proposes an increase to the Proposition 98 General Fund, on a contingency basis, of an amount not to exceed $28.5 million to address a projected shortfall in redevelopment agency property taxes for special education local plan areas. If approved, the State would distribute such amounts based on a determination of property taxes reported for special education local plan areas.

- Average Daily Attendance. The 2016-17 May Revision reflects an increase in A.D.A. in fiscal year 2014-15 and a decrease in A.D.A. in fiscal year 2015-16. Accordingly, the 2016-17 May Revision proposes an increase of $11.2 million in fiscal year 2015-16 and a decrease of $2 million in fiscal year 2016-17 for school districts, charter schools, and county offices of education under the LCFF.

- California Clean Energy Jobs Act of 2012. The 2016-17 May Revision proposes to allocate $398.8 million to support energy efficiency projects and clean energy job development programs at K-12 schools throughout the State in fiscal year 2016-17.

- Categorical Program Growth. The 2016-17 May Revision proposes to decrease Proposition 98 General Fund by $5.7 million, which amount will be reduced from selected categorical programs based on updated estimates of projected ADA growth.

- Cost of Living Adjustment. The 2016-17 May Revision proposes to decrease the Proposition 98 General Fund by $18.6 million for selected categorical programs during fiscal year 2016-17. Such decrease reflects a reduction in the cost of living set forth in the 2016-17 Proposed State Budget of 0.47% to 0.00% in the May Revision.

The complete 2016-17 May Revision is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2016-17 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2016-17 State budget from the 2016-17 May Revision. Additionally, the District cannot predict the impact that the final fiscal year 2016-17 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2016-17 State Budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "−Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds *(California Redevelopment Association v. Matosantos).* On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos.*

On February 1, 2012, and pursuant to *Matosantos,* AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and
- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or 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 beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of average daily attendance ("A.D.A.") with additional supplemental funding (the

"Supplemental Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency. The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2015-16, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $7,820 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,189 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,403 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $8,801 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 50% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Under the new formula, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan ("LCAP"). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Attendance and Base Revenue Limit. The following table sets forth the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2011-12 through 2012-13 for grades kindergarten through grade eight, including special education. The A.D.A. and enrollment numbers reflected in the following table do not include attendance and enrollment at the San Carlos Charter Learning Center, the independent charter school.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Average Daily Attendance, Enrollment and Base Revenue Limit
Fiscal Years 2011-12 through 2012-13

Fiscal Year	Average Daily Attendance[1]	Enrollment[2]	Base Revenue Limit Per Unit of Average Daily Attendance
2011-12[3]	2,912	2,988	$6,202.24
2012-13[4]	2,909	3,002	6,404.24

[1] A.D.A. for the second period of attendance, typically in mid-April of each school year.
[2] Reflects enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
[3] The District had a 20.602% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit of $4,924.46.
[4] The District had a 22.272% base revenue limit deficit factor and a 3.243% cost of living adjustment in fiscal year 2012-13, which resulted in a funded base revenue limit of $4,977.89.
Source: San Carlos School District.

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2015-16. The A.D.A. and enrollment numbers reflected in the following table include special education. The A.D.A. and enrollment figures in the following table do not include attendance and enrollment at the San Carlos Charter Learning Center, the independent charter school.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2015-16

		A.D.A./Base Grant				Enrollment[6]	
Fiscal Year		K-3	4-6	7-8	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A.[2]:	1,384.74	1,029.69	597.81	3,012.24	3,027	14.4%
	Targeted Base Grant[3]:	$7,675	$7,056	$7,266	--	--	--
2014-15	A.D.A.[2]:	1,357.35	1,017.60	600.09	2,975.04	3,057	14.4%
	Targeted Base Grant[3][4]:	$7,740	$7,116	$7,328	--	--	--
2015-16[1]	A.D.A.[2]:	1,369.64	1,053.42	643.11	3,066.17	3,161	14.0%
	Targeted Base Grant[3][5]:	$7,820	$7,189	$7,403	--	--	--

(1) Figures are projections.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14, 2014-15 and 2015-16.
(4) Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: San Carlos School District.

The District received approximately $22.18 million in aggregate revenues reported under LCFF sources in fiscal year 2014-15, and projects to receive approximately $23.91 million in aggregate revenues under the LCFF in fiscal year 2015-16 (or approximately 69.71% of its general fund revenues in fiscal year 2015-16). Such amount includes supplemental grants projected to be $463,298 in fiscal year 2015-16. The District does not currently qualify for concentration grants.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections

95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "−Allocation of State Funding to School Districts: Local Control Funding Formula" herein for more information.

Local property tax revenues account for approximately 55.6% of the District's aggregate revenues reported under LCFF sources, and are projected to be approximately $13.3 million, or 38.8% of total general fund revenues in fiscal year 2015-16.

Beginning in fiscal year 2011-12, local property tax dollars applicable to the District's revenue limit funding were used to backfill certain cities and counties. San Mateo County is one of two counties which have negative Educational Revenue Augmentation Fund (ERAF) property tax adjustments that reduce the amount of local property taxes paid to school districts that were formerly known as revenue limit districts prior to the implementation of the LCFF in order to fund the State's economic recovery bond program (commonly known as the "Triple Flip") and vehicle license fees. Such negative ERAF is repaid to school districts, like the District, with State aid dollars and, therefore, is not applicable to basic aid districts. In the absence of such negative ERAF, the District would have received approximately $7.2 million in local property tax revenue, or appropriately 21.3% of its aggregate revenues allocated under the LCFF. Such reduction and repayment of local property taxes is limited to the District's 1.0% general fund apportionment and does not affect the *ad valorem* taxes levied to repay the District's general obligation bonds, including the Refunding Bonds.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently. The District is an LCFF district.

In an LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the $120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 2.0% (or approximately $0.68 million) of the District's general fund projected revenues for fiscal year 2015-16.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 9.9% (or approximately $3.38 million) of the District's general fund projected revenues for fiscal year 2015-16. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately $0.53 million for fiscal year 2015-16.

Other Local Revenues and Parcel Tax. In addition to *ad valorem* property taxes, the District receives additional local revenues which comprise approximately 18.44% (or approximately $6.32 million of the District's general fund projected revenues for fiscal year 2015-16. A significant portion of such local revenues is derived from District parcel taxes. In 2015, the voters of the District approved an extension and consolidation of, and increase to, its existing parcel tax measures. In 2011, the voters of the District approved the extension of an existing parcel tax of $110.60 per parcel per year, such extension commencing July 1, 2011 (the "Measure A Parcel Tax"). The Measure A Parcel Tax was limited to eight years, with the funds dedicated to the promotion of early reading and literacy, retention of quality teachers and staff, maintenance of small class sizes, school libraries staff, support of reading, writing, mathematics, arts, foreign language and technology, and maintaining safe schools. An exemption is available for parcels owned and occupied by persons 65 years of age or older. In 2009, the voters of the District also approved a parcel tax of $78.00 per year per parcel, commencing July 1, 2009 (the "Measure B Parcel Tax"). The Measure B Parcel Tax was limited to six years, with the funds dedicated to provide financial support to local school programs in accordance with priorities established by the District Board, including the protection of the District's elementary and middle school programs, maintenance of high-quality programs, including hands-on science and literacy programs, attraction and retention of high qualified teachers, and maintenance of art and music. The Measure A Parcel Tax and Measure B Parcel Tax collectively account for approximately 6.6% of the District's general fund budget revenue, budgeted at approximately $2,239,138 in fiscal year 2015-16. The District's 2015 measure extends and consolidates the Measure A Parcel Tax and the Measure B Parcel Tax and increases them in an aggregate amount by $58 per parcel per year through fiscal year 2020-21.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

Currently, one independent charter school, San Carlos Charter Learning Center (grades K-8), operates in the District with projected A.D.A. for fiscal year 2015-16 of 362 students. The District also has five "dependent" charter schools, consisting of Arundel School (grades K-4), Brittan Acres School (grades K-4), Heather School (grades K-4), White Oaks School (grades K-4) and Tierra Linda Middle School (grades 5-8), with a projected aggregate A.D.A. for fiscal year 2015-16 of 2,461 students. The District also has one regular District school, Central Middle School (grades 5-8), with projected A.D.A. for fiscal year 2015-16 of 685 students.

The District has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. The District's dependent charter schools operate as public schools, under charter from the District, and are governed by the District Board. Dependent charter schools receive their funding from the District and are included in the District's budgets and audit reports. However, independent charter schools that receive their funding directly from the State are not included in the District's audit report and function like independent agencies. Such independent schools, like San Carlos Charter Learning Center, are responsible for their own management and fiscal viability and are not included in the District's financial reports. The District, as the chartering agency for San Carlos Charter Learning Center, is charged with oversight of San Carlos Charter Learning Center. All charter schools, whether dependent or independent, receive a share of the District's local property tax revenues on the basis of enrollment. Thus, independent charter schools effectively reduce the amount of revenues available for students in District-operated schools.

Although the District does not expect enrollment at San Carlos Charter Learning Center to increase in future years, the District cannot provide any assurances whether enrollment at such charter school will increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District's A.D.A. or finances in future years.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2015, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Wilkinson Hadley King & Co. LLP, El Cajon, California, for fiscal years 2010-11 through 2014-15.

Wilkinson Hadley King & Co. LLP has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has not audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2010-11 through 2014-15.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2010-11 through 2014-15

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
Revenues:					
Revenue Limit/LCFF Sources:					
State Apportionment	$7,167,199	$14,909,483[2]	$14,963,994[2]	$15,460,488	$9,399,456
Education Protection Account Funds	-	-	-	3,277,079	4,138,852
Local Sources	8,997,921	1,601,126[2]	1,489,875[2]	1,599,868	8,644,572
Federal Revenue	1,533,156	826,432	699,548	655,267	679,194
Other State Revenue	3,060,501	3,092,176	3,180,456	2,348,613	1,736,869
Other Local Revenue[1]	5,079,219	5,964,227	7,371,069	5,545,569	5,887,429
Total Revenues	25,837,996	26,393,444	27,704,942	28,886,884	30,486,372
Expenditures:					
Instruction	15,699,761	16,847,338	17,632,384	18,941,416	20,754,185
Instruction-Related Services	2,238,149	2,448,013	2,592,631	2,955,092	3,118,321
Pupil Services	1,373,851	1,582,476	1,621,458	1,658,305	2,019,490
Ancillary Services	20,924	41,191	10,147	16,449	18,431
General Administration	1,509,633	1,822,945	1,907,254	2,036,557	2,275,554
Plant Services	1,985,953	2,037,436	2,344,734	2,407,902	2,597,725
Other Outgo	1,026,074	1,000,942	936,607	976,178	869,228
Debt Service:					
Principal	-	-	-	-	18,735
Interest	-	-	-	-	-
Total Expenditures	23,854,345	25,780,341	27,045,215	28,991,899	31,671,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,983,651	613,103	659,727	(105,015)	(1,185,297)
Other Financing Sources (Uses):					
Transfers In	110,230	250,000	325,000	400,000	400,000
Transfers Out	(126,062)	(306,798)	(239,781)	(146,711)	(143,863)
Other Sources	-	-	-	-	160,624
Total Other Financing Sources (Uses)	(15,832)	(56,798)	85,219	253,289	416,761
Net Change In Fund Balance	1,967,819	556,305	744,946	148,274	(768,536)
Fund Balance, July 1	2,296,075[3]	4,263,895	4,820,200	5,565,147	5,713,421
Fund Balance, June 30	$4,263,894	$4,820,200	$5,565,146	$5,713,421	$4,944,885

Source: San Carlos School District Audited Financial Reports for fiscal years 2010-11 through 2014-15.
[1] Includes revenues from Measure A Parcel Tax and Measure B Parcel Tax.
[2] Beginning in fiscal year 2011-12, local property tax dollars applicable to the District's revenue limit funding were used to backfill certain cities and counties, resulting in a negative ERAF. Such negative ERAF is repaid to the District with State aid dollars in the revenue limit funding. See "–Local Sources of Education Funding" herein for more information.
[3] The beginning fund balance for fiscal year 2010-11 is different than the ending fund balance for fiscal year 2009-10 due to the inclusion of Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) beginning in fiscal year 2010-11.

The following table sets forth the general fund balance sheet of the District for fiscal years 2010-11 through 2014-15.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2010-11 through 2014-15

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
ASSETS:					
Cash in County Treasury	$4,124,284	$4,079,732	$1,662,048	$3,509,393	$6,317,980
Cash in Revolving Fund	4,500	4,500	4,500	4,500	4,500
Cash with a Fiscal Agent/Trustee	19,522	-	43,287	44,323	-
Investments	6,350	26,666	6,350	-	-
Accounts Receivable	2,935,832	10,761,933	4,736,603	5,541,858	841,571
Due from Other Funds	125,753	270,693	397,966	150,000	-
Prepaid Expenditures	-	-	26,161	3,246	1,402
Total Assets	$7,216,241	$15,143,524	$6,876,915	$9,253,320	$7,165,453
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	$1,728,680	$1,702,224	$1,061,323	$3,539,172	$2,220,568
Due to Other Funds	1,215,928	219,519	239,781	-	-
Current Loans	-	8,394,000	-	-	-
Deferred/Unearned Revenue	7,739	7,581	10,665	727	-
Total Liabilities	$2,952,347	$10,323,324	$1,311,769	$3,539,899	$2,220,568
Fund Balance:					
Nonspendable Fund Balances	4,500	4,500	30,661	7,746	5,902
Restricted Fund Balances	617,115	712,404	2,005,209	2,086,984	756,184
Assigned Fund Balances	100,727	151,636	363,418	304,140	871,999
Committed Fund Balances	-	-	-	-	-
Unassigned	3,541,552	3,951,660	3,165,858	3,314,551	3,310,800
Total Fund Balance	4,263,894	4,820,200	5,565,146	5,713,421	4,944,885
Total Liabilities and Fund Balances	$7,216,241	$15,143,524	$6,876,915	$9,253,320	$7,165,453

Source: San Carlos School District Audited Financial Reports for fiscal years 2010-11 through 2014-15.

District Budget Process and County Review

State law requires school districts to adopt a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of San Mateo Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than August 15. The county superintendent is required to 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 with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the county superintendent no later than September 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent 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 is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year.

In the last five years, the District has not had a budget disapproved and, except for a qualified certification for its first interim report in fiscal year 2014-15, has not received a qualified or negative certification.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of “State School Fund Apportionment Lease Revenue Bonds” to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

The following table sets forth the District’s adopted general fund budgets for fiscal years 2013-14 through 2016-17, unaudited actuals for fiscal years 2013-14 and 2014-15, and second interim report for fiscal year 2015-16.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
General Fund Budgets for Fiscal Years 2013-14 through 2016-17, Unaudited Actuals for Fiscal Years 2013-14 and 2014-15 and Second Interim for Fiscal Year 2015-16

	2013-14 Original Adopted Budget	2013-14 Unaudited Actuals	2014-15 Original Adopted Budget	2014-15 Unaudited Actuals	2015-16 Original Adopted Budget	2015-16 Second Interim Report[1]
REVENUES						
Revenue Limit / LCFF Sources[2]	$16,937,294.00	$20,337,435.36	$21,115,140.00	$22,182,878.32	$24,193,827.00	$23,905,287.84
Federal Revenue	646,282.00	655,267.18	616,345.00	679,194.13	660,673.00	677,608.00
Other State Revenue	3,674,700.00	1,595,903.28	534,385.00	2,596,096.07	2,521,466.00	3,385,955.00
Other Local Revenue[3]	4,996,566.00	5,533,189.81	5,218,583.00	5,880,837.34	5,908,476.00	6,322,837.54
TOTAL REVENUES	26,254,842.00	28,121,795.63[4]	27,484,453.00	$31,339,005.86	33,284,442.00	$34,291,688.38
EXPENDITURES						
Certificated Salaries	14,092,834.00	14,374,900.56	14,893,523.00	15,534,874.07	15,599,196.00	16,070,198.87
Classified Salaries	3,890,145.00	4,146,471.16	4,226,338.00	4,473,400.99	4,727,657.00	4,866,503.80
Employee Benefits	3,947,054.00	3,873,253.06	4,264,210.00	5,339,338.14	5,026,653.00	6,148,320.42
Books and Supplies	905,360.00	1,095,562.92	1,019,830.00	1,191,844.61	1,757,445.00	1,953,782.77
Services, Other Operating Expenses	3,560,646.00	3,742,727.65	3,774,149.00	4,060,757.88	3,691,554.00	4,191,766.93
Capital Outlay	-	30,095.64	-	183,490.50	-	-
Other Outgo (excluding Direct Support/Indirect Costs)	968,000.00	976,177.75	988,000.00	887,962.37	946,508.00	848,249.99
Other Outgo - Transfers of Indirect Costs	-	-	-	-	-	-
TOTAL EXPENDITURES	27,364,039.00	28,239,188.74[4]	29,166,050.00	31,671,668.56	31,749,013.00	34,078,822.78
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,109,197.00)	(117,393.11)	(1,681,597.00)	(332,662.70)	1,535,429.00	212,865.60
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	350,000.00	350,000.00	350,000.00	350,000.00	500,000.00	500,000.00
Inter-fund Transfers Out	85,460.00	146,710.63	140,000.00	143,863.12	362,352.00	362,352.00
Other Sources (Uses)	-	-	-	160,623.59	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	264,540.00	203,289.37	210,000.00	366,760.47	137,648.00	137,648.00
NET INCREASE (DECREASE) IN FUND BALANCE	(844,657.00)	85,896.26	(1,471,597.00)	34,097.77	1,673,077.00	350,513.60
BEGINNING BALANCE, as of July 1	4,461,083.39	4,812,118.78	4,107,127.78	4,898,015.04	2,543,804.60	4,072,885.81
ENDING BALANCE	$3,616,426.39	$4,898,015.04[4]	$2,635,530.78	$4,932,112.81	$4,216,881.60	-
Unrestricted Ending Balance	$2,386,826.39	$2,808,781.04	$2,109,280.78	$4,174,527.24	$3,770,982.30	$4,184,771.54
Restricted Ending Balance	$1,229,600.00	$2,089,234.00	$526,250.00	$757,585.57	$445,899.30	$238,627.87

(1) Figures are projections.
(2) The LCFF was implemented beginning in fiscal year 2013-14.
(3) Includes revenues from Measure A Parcel Tax and Measure B Parcel Tax.
(4) Total revenues and expenditures do not match the District's audited financial statements because the District does not include contributions to the State Teachers' Retirement System made by the State on behalf of the District in its internal financial reports, amounting to $752,710 in fiscal year 2013-14. The District's audited financial statements include such amounts as revenues and as expenditures. In addition, beginning in fiscal year 2010-11, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) have been included as part of the District's general fund in the District's audited financial statements. The inclusion of such funds in the District's audited financial statements also causes the ending balances of the District's audited financial statements to differ.
Source: San Carlos School District Adopted general fund budgets for fiscal years 2013-14 through 2016-17; unaudited actuals for fiscal years 2013-14 and 2014-15; and second interim report for fiscal year 2015-16.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2015, consisted of the following:

Long-Term Debt	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation bonds	$70,461,841	$20,997,899	$3,050,419	$88,409,321	$2,843,410
Accreted interest	1,831,541	640,161	204,581	2,267,121	-
Bond premium	2,100,075	369,628	171,021	2,298,682	-
Net OPEB obligation	1,579,771	883,042	102,298	2,360,515	-
Compensated absences	101,999	105,267	-	207,266	207,266
Capital leases	-	160,624	18,735	141,889	13,521
Net pension liability	29,981,088	-	6,047,781	23,933,307	-
Total governmental activities	$106,056,315	$23,156,621	$9,594,835	$119,618,101	$3,064,197

Source: San Carlos School District Audited Financial Report for fiscal year 2014-15.

General Obligation Bonds. Without regard to the issuance of the Refunding Bonds, the District has outstanding nine additional series of general obligation bonds, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Refunding Bonds.

See "THE REFUNDING BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of this Official Statement for more information about such outstanding bonds.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (see "– Retirement Benefits" below), the District provides certain post-retirement healthcare benefits in accordance with District employment contracts. For a description of the District's program, which is a single-employer defined benefit healthcare plan that provides health insurance benefits to eligible retirees up to age 65, see Note N to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015." As of June 30, 2015, membership of the Plan consisted of approximately 65 retirees as well as approximately 265 active employees who may become eligible to retire and receive benefits in the future.

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in fiscal year 2008-09.

The contribution requirement of plan members and the District are established and may be amended by the District and the San Carlos Teachers Association (CEA) and the local California School Employees Association (CSEA). The annual required contributions are based on projected pay-as-you-go financing requirements and for fiscal years 2012-13, 2013-14 and 2014-15 were $273,123, $883,239 and $907,528, respectively. The District's contributions for these respective fiscal years were $126,074, $103,892 and $102,298, respectively. For more information about the District's annual required contribution for fiscal year 2014-15 and the District's net OPEB obligation and prefunding of benefits at

June 30, 2015, see Note N to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

Total Compensation Systems, Inc. has prepared an actuarial valuation (the "2014 Actuarial Valuation") covering the District's retiree health benefits and reports that, as of February 1, 2014, the District had 65 eligible retirees as well as approximately 265 eligible active plan members. The 2014 Actuarial Valuation reports that, as of February 1, 2014, the District had an actuarial accrued liability of $5,269,002. The 2014 Actuarial Valuation provides that the remaining unamortized balance of the initial unfunded actuarially accrued liability is $2,160,286, leaving a residual actuarial accrued liability of $3,108,716. For the year beginning February 1, 2014, the annual required contribution is estimated to be $883,239 and the pay-as-you-go requirement is $122,870 under the 2014 Actuarial Valuation. The 2014 Actuarial Valuation assumes, among other things, 2.75% inflation per year, 4.75% discount rate per year and 2.75% payroll increase per year.

Tax and Revenue Anticipation Notes. The most recent fiscal year in which the District issued tax and revenue anticipation notes ("TRANS") was fiscal year 2011-12. The District does not expect to issue TRANS or borrow funds to supplement the District's cash flow in fiscal year 2016-17. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

As of May 27, 2016, the District employed 147 full-time certificated employees and 38 full-time classified employees. In addition, the District employed 104 part-time faculty and staff. For fiscal year 2014-15, the total certificated and classified payrolls for all funds were approximately $15.5 million and $4.5 million, respectively, and are projected to be approximately $16.1 million and $4.9 million, respectively, in fiscal year 2015-16. These employees, except management and some part-time employees, are represented by the bargaining units as noted below:

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
San Carlos Teachers Association	161.20	June 30, 2018
California School Employees Association	74.63	June 30, 2018

Source: San Carlos School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2015, an actuarial valuation (the "2015 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $76.20 billion, an increase of approximately $3.48 million from the June 30, 2014 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2015, June 30, 2014 and June 30, 2014, based on the actuarial assumptions, were approximately 68.5%, 68.5% and 66.9%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2015 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2015 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2015 CalSTRS Actuarial Valuation noted that, as of June 30, 2015, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 33.439% over the next 30 years.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

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

Source: Assembly Bill 1469.

The following table sets forth the District's total employer contributions to CalSTRS for fiscal years 2011-12 through 2014-15 and the budgeted contribution for fiscal year 2015-16.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Contributions to CalSTRS for Fiscal Years 2011-12 through 2015-16

Fiscal Year	Contribution
2011-12	$1,047,714
2012-13	1,121,630
2013-14	1,172,657
2014-15	1,337,714
2015-16[1]	2,470,357

[1] Second Interim Report for fiscal year 2015-16.
Source: San Carlos School District.

The District's total employer contributions to CalSTRS for fiscal years 2011-12 through 2014-15 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

According to the CalPERS Schools Actuarial Valuation as of June 30, 2014, the CalPERS Schools plan had a funded ratio of 86.6% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2012, June 30, 2011 and June 30, 2010 was 86.6%, 80.5%, 75.5%, 78.7% and 69.5%. In April 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term. In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the current discount rate of 7.5% by at least four percentage points.

In April 2016, CalPERS approved an increase to the contribution rate for school districts from 11.847% during fiscal year 2015-16 to 13.888% during fiscal year 2016-17. In addition, the CalPERS Finance and Administration Committee has reported that the Schools Actuarial Valuation as of June 30, 2015, which is expected to be released in summer 2016, will indicate that the funded ratio as of June 30, 2015 is approximately 77.5% on a market value of assets basis.

In February of 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2011-12 through 2014-15 and the budgeted contribution for fiscal year 2015-16.

SAN CARLOS SCHOOL DISTRICT
(San Mateo County, California)
Contributions to CalPERS for Fiscal Years 2011-12 through 2015-16

Fiscal Year	Contribution
2011-12	$411,389
2012-13	489,455
2013-14	549,915
2014-15	607,422
2015-16[1]	588,483

[1] Second Interim Report for fiscal year 2015-16
Source: San Carlos School District.

The District's total employer contributions to CalPERS for fiscal years 2011-12 through 2014-15 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note M to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15. See Note 1 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in the San Mateo County Schools Insurance Group ("SMCSIG"), a joint venture under a joint powers agreement ("JPA") among 24 local school districts in the County. The District purchases comprehensive general liability, property damage, and workers compensation coverage from SMCSIG, in coverage amounts comparable to other school districts participating in SMCSIG. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for its financial reporting purposes. The JPA is governed by a board consisting of representatives from each member school district. Each member school district pays a premium commensurate with the level of coverage requested and shares of surpluses and deficits proportionate to their participation in the JPA. See APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015, Note L" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District annually budgets appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2014-15 fiscal year are equal to the allowable limit of approximately $9.06 million and estimates an appropriations limit for the 2015-16 fiscal year of approximately $9.09 million. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("Article XIIIC" and "Article XIIID," respectively), 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 California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC 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 XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID 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 XIIIA of the California 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.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). 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 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the

State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Proposition 30

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 tax increases are temporary and expire at the end of the 2016 tax year with respect to the sales and use tax increase and the 2018 tax year with respect to the personal income tax increase. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS — State Funding of Education; State Budget Process."

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The Series 2016 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Series 2016 Bonds as and when due.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 2, 30, 62, 98, 111 and 218, 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.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

SAN MATEO COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL

The following information has been furnished by the Office of the Treasurer/Tax Collector, County of San Mateo. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer/Tax Collector, 555 County Center, 1st Floor, Redwood City, CA 94063.

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current Investment Policy. The value of the various investments in the Pools 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 Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described herein.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Refunding Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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

Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities 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, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

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

10. 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, Security certificates will be printed and delivered to DTC.

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

APPENDIX G

TABLE OF ACCRETED VALUES
OF CAPITAL APPRECIATION BONDS