PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 26, 2024

NEW ISSUE - FULL BOOK-ENTRY | **RATING: Moody's: "Aa1"**
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$25,000,000*
SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
(Santa Cruz County, California)
General Obligation Bonds, Election of 2020, Series C

Dated: Date of Delivery | **Due: August 1, as shown on inside front cover**

Authority and Purpose. The above-captioned General Obligation Bonds, Election of 2020, Series C (the "Bonds") are being issued by the San Lorenzo Valley Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on September 18, 2024. The Bonds were authorized at an election of the registered voters of the District held on March 3, 2020, which authorized the issuance of $75,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the third and final series of bonds to be issued under the 2020 Authorization (as defined herein). See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by Santa Cruz County (the "County"). The County is empowered and obligated to annually levy *ad valorem* property taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding. See "SECURITY FOR THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and APPENDIX F.

Payments. The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2025. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, the designated paying agent, registrar and transfer agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

Redemption.* The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption."

MATURITY SCHEDULE
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about October 16, 2024.**

RAYMOND JAMES

The date of this Official Statement is ________, 2024.

**Preliminary; subject to change.*

MATURITY SCHEDULE*

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
(Santa Cruz County, California)
General Obligation Bonds, Election of 2020, Series C

Base CUSIP†: 798543

$_________ Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$________ ____% Term Bonds maturing August 1, 20__; Yield: ___%; Price: ___; CUSIP†: ___

**Preliminary; subject to change.*
†CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
(Santa Cruz County, California)

DISTRICT ADMINISTRATION

Christopher Schiermeyer, *Superintendent*
Anna Seymour, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank Trust Company, National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to 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.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

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

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

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$25,000,000*
SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
(Santa Cruz County, California)
General Obligation Bonds, Election of 2020, Series C

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the general obligation bonds captioned above (the **"Bonds"**) by San Lorenzo Valley Unified School District (the "**District**").

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 and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District is located in northern Santa Cruz County (the "**County**"), in the State of California (the "**State**"). Encompassing an area of approximately 140 square miles, the District serves the communities of Felton, Ben Lomond, Brookdale, Boulder Creek, Lompico and Mount Hermon. The District is a K-12 school district, and currently operates two elementary schools, four grades K-5, one middle school for grades 6-8, one high school for grades 9-12, and one dependent charter school. There is one additional, independent, charter school in the boundaries of the District. Enrollment in the District for the 2024-25 school year is budgeted for approximately 2,014 students. For purposes of education funding, the District is a **"Basic Aid District"** or "**Community Supported District,"** meaning that the District's share of local property taxes exceeds its funding entitlement under the State's education funding formula.

For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See APPENDIX C hereto for demographic and other statistical information regarding the County.

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction of and improvements to facilities of the District, as approved by voters in the District at an election held on March 3, 2020 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize $75,000,000 of general obligation bonds, and will be issued pursuant to certain provisions of the California Government Code and a resolution adopted by the Board of Trustees of the District on September 18, 2024 (the "**Bond Resolution**"). See "THE BONDS – Authority for Issuance" herein.

Description of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2025. See "THE BONDS – Description of the Bonds" herein.

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* *Preliminary; subject to change.*

Payment and Registration of the Bonds. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Bonds (the "**Beneficial Owners**") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC's book-entry only system ("**DTC Participants**") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See "THE BONDS - Registration, Transfer and Exchange of Bonds" herein.

Security and Sources of Payment for the Bonds. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and obligated to annually levy *ad valorem* property taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

Following the issuance of the Bonds, there will be no remaining unissued capacity under the 2020 Authorization* (as defined herein). See "FINANCIAL INFORMATION - Existing Debt Obligations" in APPENDIX A.

Redemption*. The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption."

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel, Disclosure Counsel, and Underwriter's counsel is contingent upon issuance of the Bonds.

Tax Matters. In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" and Appendix D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of a continuing disclosure certificate (the "**Continuing Disclosure Certificate**"), the form of which is attached as APPENDIX E. See "CONTINUING DISCLOSURE" for additional information.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this

* *Preliminary; subject to change.*

Official Statement are available from the District, which may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $75,000,000 (the "**2020 Authorization**").

The Bonds are the third and final series of bonds issued pursuant to the 2020 Authorization. Following the issuance of the Bonds, there will be no unissued authorization remaining under the 2020 Authorization*.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by voters in the District on March 3, 2020, the abbreviated text of which appeared on the ballot as follows:

> *"To improve the quality of local schools; repair or replace roofs; construct Science/Engineering and Career Technical Education facilities; and make health and safety improvements; shall San Lorenzo Valley Unified School District's measure be adopted authorizing $75,000,000 in bonds at legal interest rates, generating approximately $4.3 million annually while bonds are outstanding with levies of approximately 6 cents per $100 assessed value, with annual audits, citizens' oversight, no money for salaries and all money for local projects?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2020 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX F.

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* *Preliminary; subject to change.*

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2025 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2025, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as the designated paying agent, registrar and transfer agent (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

Book-Entry Only System

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers of the Bonds will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or any other action premised on such notice. See APPENDIX F.

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

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent or as otherwise directed by the District. For the purpose of selection for optional redemption, Bonds will be deemed to consist of $5,000 portions

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* *Preliminary; subject to change.*

(principal amount), and any such portion may be separately redeemed. The Bonds may all be separately redeemed.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the **"Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium, together with interest accrued thereon to the date fixed for redemption.

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption

If any Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Notice of Redemption

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District to be mailed, first class, postage prepaid, at least 20 but not more than 60 days prior to the date fixed for redemption, to the owners of the Bonds designated for redemption. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice may be a conditional notice of redemption and subject to rescission as set forth below.

Neither the failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds.

Partial Redemption of Bonds

Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Registration, Transfer and Exchange of Bonds

If the book-entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book-entry system is discontinued, the person in whose name a Bond is registered on the Bond registration books shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in San Francisco, California for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book-entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

Defeasance and Discharge of Bonds

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

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

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

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

The Bonds. The following table shows the annual debt service schedule with respect to the Bonds, assuming no optional redemptions.

San Lorenzo Valley Unified School District
General Obligation Bonds, Election of 2020, Series C
Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
TOTAL			

Combined General Obligation Bonds. The following table shows the combined annual debt service schedule with respect to all outstanding general obligation bonds of the District secured by *ad valorem* taxes, assuming no optional redemptions. See APPENDIX A – "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations" for additional information.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule

Bond Year Ending August 1	2000 Election Bonds	2002B Bonds	2004 Bonds	2008 Election, Series A	2020 Election, Series A	2020 Refunding Bonds(1)	2020 Election, Series B	The Bonds	Total Debt Service
2025	$1,350,000.00	$490,000.00	$1,025,000.00	$1,290,000.00	$868,200.00	$215,850.00	$985,350.00		
2026	--	1,955,000.00	1,050,000.00	1,350,000.00	868,200.00	219,162.50	985,350.00		
2027	--	2,080,000.00	1,100,000.00	1,410,000.00	868,200.00	217,362.50	985,350.00		
2028	--	--	3,375,000.00	1,475,000.00	868,200.00	220,562.50	985,350.00		
2029	--	--	3,500,000.00	1,540,000.00	868,200.00	218,650.00	985,350.00		
2030	--	--	--	1,610,000.00	868,200.00	216,737.50	985,350.00		
2031	--	--	--	1,685,000.00	868,200.00	214,825.00	985,350.00		
2032	--	--	--	435,000.00	1,163,200.00	1,552,912.50	1,085,350.00		
2033	--	--	--	450,000.00	1,206,400.00	1,615,850.00	1,180,350.00		
2034	--	--	--	--	1,247,400.00	2,146,650.00	1,255,350.00		
2035	--	--	--	--	1,291,200.00	669,737.50	1,306,100.00		
2036	--	--	--	--	1,337,600.00	--	1,348,600.00		
2037	--	--	--	--	1,381,100.00	--	1,398,100.00		
2038	--	--	--	--	1,431,100.00	--	1,449,100.00		
2039	--	--	--	--	1,483,900.00	--	1,501,350.00		
2040	--	--	--	--	1,533,500.00	--	1,559,600.00		
2041	--	--	--	--	1,584,900.00	--	1,613,350.00		
2042	--	--	--	--	1,642,900.00	--	1,672,600.00		
2043	--	--	--	--	1,697,100.00	--	1,736,000.00		
2044	--	--	--	--	1,757,500.00	--	1,795,400.00		
2045	--	--	--	--	1,818,700.00	--	1,860,800.00		
2046	--	--	--	--	1,880,500.00	--	1,956,800.00		
2047	--	--	--	--	1,948,250.00	--	2,022,000.00		
2048	--	--	--	--	2,019,000.00	--	2,097,400.00		
2049	--	--	--	--	2,087,250.00	--	2,142,400.00		
2050	--	--	--	--	2,157,750.00	--	2,223,000.00		
2051	--	--	--	--	--	--	3,407,600.00		
2052	--	--	--	--	--	--	3,556,800.00		
Total	$1,350,000.00	$4,525,000.00	$10,050,000.00	$11,245,000.00	$36,746,650.00	$7,508,300.00	$45,065,500.00		

(1) Private placement.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	
[Net] Original Issue [Premium]/[Discount]	
Total Sources	
Uses of Funds	
Building Fund	
Debt Service Fund	
Costs of Issuance [(1)]	
Total Uses	

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, and the rating agency.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Other Debt Payable from Ad Valorem Property Taxes. In addition to the Bonds, there is other debt issued by the District and other entities with jurisdiction in the District, which is payable from *ad valorem* property taxes levied on all property in the District. See "PROPERTY TAXATION – Tax Rates" and "- Direct and Overlapping Debt" below.

Levy, Collection and Pledge of Taxes. The County will levy and collect such *ad valorem* property taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is held by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Statutory Lien on Ad Valorem Tax Revenues. Under California law, voter-approved general obligation bonds which are secured by *ad valorem* property tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* property tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Natural Disasters. Economic and other factors beyond the District's control, such as economic recession, deflation of property values, pandemics, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought, climate change or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value."

Building Fund

Proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Election of 2020, Series C Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Election of 2020, Series C Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the District and the County. All taxes levied by the County for the payment of the principal of and interest on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the County shall transfer such amounts to the District's general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* property tax levied and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county in which the property is located.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. However, Senate Bill 813 (enacted by Statutes of 1983, Chapter 498) (**"SB 813"**), provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

The assessed valuation of property in the District is established by the assessor of the County, except for public utility property which is assessed by the SBE, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see APPENDIX A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Assessed Valuation History. The table below shows a history of the District's assessed valuation.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2013-14 through 2024-25

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2013-14	$2,697,942,881	$64,687	$26,029,385	$2,724,036,953	--%
2014-15	2,943,725,418	64,687	26,705,387	2,970,495,492	9.0
2015-16	3,225,120,600	64,687	28,172,835	3,253,358,122	9.5
2016-17	3,393,491,123	64,687	27,018,199	3,420,574,009	5.1
2017-18	3,582,132,683	64,687	27,425,654	3,609,623,024	5.5
2018-19	3,833,343,236	87,600	29,369,563	3,862,800,399	7.0
2019-20	4,041,156,611	87,600	29,553,289	4,070,797,500	5.4
2020-21	4,224,080,906	87,600	32,045,111	4,256,213,617	4.6
2021-22	4,233,088,275	87,600	29,370,618	4,262,546,493	0.1
2022-23	4,546,954,191	94,900	31,197,771	4,578,246,862	7.4
2023-24	4,783,575,422	94,900	34,264,743	4,817,935,065	5.2
2024-25	4,978,750,744	94,900	36,544,393	5,015,390,037	4.1

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and disasters such as wildfires, earthquakes, droughts, floods, climate change and pandemics, among others. The District cannot predict or make any representations regarding the effects that natural disasters or other conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Wildfires. According to the State, fire season is starting earlier and ending later each year, with the increased length of the season corresponding to an increase in the extent of forest fires across the State. In addition to destroying land and structures, there have been human fatalities and negative impacts on air quality throughout the State. Fires in the State and neighboring states have threatened the region's power grids, making some power lines unreliable. The District cannot predict or make any representations regarding the effects that wildfires and related conditions have or may have on the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

2020 CZU Lightning Complex Fires**.** On August 16, 2020, the CZU Lightning Complex fires ignited in San Mateo and Santa Cruz Counties. On September 22, 2020, the CZU Lightning Complex fires were 100% contained, had consumed 86,509 acres, destroyed 1,490 structures and caused 1 fatality. A number of properties within the boundaries of the District were destroyed by the fire, but none of the buildings used for instruction by the District were impacted.

Seismic Events. The District is located in a seismically active region. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Drought. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation, which resulted in related severe flooding and mudslides in certain regions. As of September 17, 2024, the U.S. Drought Monitor indicates that the State is classified as experiencing no drought conditions primarily in the southwestern part of the State with abnormally dry and moderate drought conditions in the remainder of the State, with the County in the "abnormally dry" category. During 2021, the Governor of the State proclaimed a drought state of emergency for all counties in the State, culminating with an October 19, 2021, proclamation, urging Californians to step up their water conservation efforts.

In January 2022, the State Water Board adopted emergency regulations aimed at saving water and raising drought awareness, with prohibitions focused on reducing outdoor water use, enforceable by local agencies and the State Water Board, generally with warning letters, mandatory water use audits, and fines. In January 2023, the State Water Board adopted its first five-year temporary groundwater recharge permit, in addition to adopting new statewide sanitary sewer orders and appointing 11 members to the Advisory Group on Safe Drinking Water Funding. Local agencies can impose and enforce their own drought conservation rules.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Public Health Emergencies. In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the World Health Organization announced the official name for the outbreak of the disease known as COVID-19 ("**COVID-19**"), an upper respiratory tract illness, that spread across the globe. The ultimate impact of COVID-19 on the District's operations and finances and the economy, real estate market, development within the District and tax collections may not be fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the District's operations and finances. In addition, the District cannot predict whether future pandemics will occur and whether any such pandemics may impact its finances or operations. As of this date, several vaccines have been provided approval by federal health authorities and are widely available, and both the national emergency and state of emergency have officially ended, and the World Health Organization declared an end to the COVID-19 global health emergency.

Property Tax Base Transfer Ballot Measure. On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment ("**Proposition 19**"), which: (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Assessed Valuation by Jurisdiction. The table below shows the assessed valuation by jurisdiction of properties within the District.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
2024-25 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
Unincorporated Santa Cruz Co.	$5,015,390,037	100.00%	$34,934,633,944	14.36%
Total District	$5,015,390,037	100.00%		
Santa Cruz County	$5,015,390,037	100.00%	$61,100,607,672	8.21%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2024-25. As shown, the majority of the District's assessed valuation is represented by residential property.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2024-25

Non-Residential:	2024-25 Assessed Valuation [(1)]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$223,521,261	4.49%	2,233	12.80%
Commercial	92,331,172	1.85	157	0.90
Vacant Commercial	9,536,400	0.19	18	0.10
Hotel/Motel	10,452,882	0.21	11	0.06
Industrial	33,032,694	0.66	13	0.07
Recreational/Campground	24,352,180	0.49	72	0.41
Government/Social/Institutional	9,516,191	0.19	560	3.21
Miscellaneous	348,837	0.01	530	3.04
Subtotal Non-Residential	$403,091,617	8.10%	3,594	20.60%
Residential:				
Single Family Residence	$4,271,466,765	85.79%	8,354	47.88%
Condominium/Townhouse	62,808,108	1.26	165	0.95
Mobile Home	2,402,912	0.05	55	0.32
Mobile Home Park	8,702,363	0.17	6	0.03
2-4 Residential Units	131,742,015	2.65	245	1.40
5+ Residential Units/Apartments	27,851,495	0.56	37	0.21
Miscellaneous Residential	14,375,589	0.29	108	0.62
Vacant Residential	56,309,880	1.13	4,882	27.98
Subtotal Residential	$4,575,659,127	91.90%	13,852	79.40%
Total	$4,978,750,744	100.00%	17,446	100.00%

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

Assessed Valuation of Single-Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2024-25, including the median and average assessed value of single-family parcels in the District.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2024-25

	No. of Parcels	2024-25 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	8,354	$4,271,466,765	$511,308	$478,455

2024-25 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	209	2.502%	2.502%	$ 6,968,211	0.163%	0.163%
$50,000 - $99,999	433	5.183	7.685	32,531,421	0.762	0.925
$100,000 - $149,999	417	4.992	12.677	51,722,228	1.211	2.136
$150,000 - $199,999	414	4.956	17.632	72,826,159	1.705	3.841
$200,000 - $249,999	493	5.901	23.534	110,622,836	2.590	6.430
$250,000 - $299,999	507	6.069	29.603	139,311,167	3.261	9.692
$300,000 - $349,999	507	6.069	35.672	164,124,965	3.842	13.534
$350,000 - $399,999	526	6.296	41.968	197,006,312	4.612	18.146
$400,000 - $449,999	420	5.028	46.995	178,411,970	4.177	22.323
$450,000 - $499,999	443	5.303	52.298	210,251,020	4.922	27.245
$500,000 - $549,999	456	5.458	57.757	239,165,820	5.599	32.845
$550,000 - $599,999	500	5.985	63.742	287,358,997	6.727	39.572
$600,000 - $649,999	425	5.087	68.829	265,273,479	6.210	45.782
$650,000 - $699,999	400	4.788	73.617	270,011,113	6.321	52.104
$700,000 - $749,999	388	4.644	78.262	281,165,281	6.582	58.686
$750,000 - $799,999	346	4.142	82.404	267,652,856	6.266	64.952
$800,000 - $849,999	310	3.711	86.114	255,528,749	5.982	70.934
$850,000 - $899,999	238	2.849	88.963	208,002,569	4.870	75.804
$900,000 - $949,999	215	2.574	91.537	198,957,884	4.658	80.462
$950,000 - $999,999	156	1.867	93.404	151,913,025	3.556	84.018
$1,000,000 and greater	551	6.596	100.000	682,660,703	15.982	100.000
	8,354	100.000%		$4,271,466,765	100.000%	

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

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in APPENDIX A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

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

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 90-103) within the District for fiscal years 2019-20 through 2023-24. Data for fiscal year 2024-25 is not available at this time.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 90-103)(1)
Fiscal Years 2019-20 through 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
San Lorenzo Valley Unified School District	.071379	.107676	.143980	.128669	.132216
Cabrillo Community College District	.021172	.024746	.023703	.024048	.024343
Total Tax Rate	$1.092551	$1.132422	$1.167683	$1.152717	$1.156559

(1) 2023-24 assessed valuation of TRA 90-103 is $926,821,459 which is 19.24% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

For the District's share of the 1% general fund apportionment, 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 the State Revenue and Taxation Code, which requires the County to pay 100% of such secured property taxes due to local agencies in the fiscal year such taxes are due. Pursuant to these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies for the 1% general fund apportionment if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance at the County's option or if demanded by the participating taxing agencies.

Because the County does not participate in the Teeter Plan with respect to tax levies for general obligation bonds debt service, secured property taxes actually collected for such purpose are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when such secured property taxes are actually collected. As a consequence, the District's receipt of taxes levied for its general obligation bonds, including the Bonds, is subject to delinquencies.

The annual secured tax levies and delinquencies within the District for fiscal years 2015-16 through 2022-23 are shown below for the 1% General Fund apportionment and the District's general obligation bond debt service levy. Data for fiscal year 2023-24 is not available at this time.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2015-16 through 2022-23
1% General Fund Apportionment

Tax Year	Secured Tax Charge	Amount Delinquent June 30	% Delinquent June 30
2015-16	$15,477,684	(1)	(1)
2016-17	16,334,132	(1)	(1)
2017-18	17,489,846	(1)	(1)
2018-19	18,439,863	(1)	(1)
2019-20	19,302,315	(1)	(1)
2020-21	19,331,188	(1)	(1)
2021-22	19,810,116	(1)	(1)
2022-23	21,277,892	(1)	(1)

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

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2015-16 through 2022-23
General Obligation Bond Debt Service Levy

Tax Year	Secured Tax Charge	Amount Delinquent June 30	% Delinquent June 30
2015-16	$2,301,881.33	$ 73,218.95	3.18%
2016-17	2,434,496.80	74,634.30	3.07
2017-18	2,598,316.28	91,113.65	3.51
2018-19	2,834,362.99	101,454.47	3.58
2019-20	2,976,593.36	96,904.54	3.26
2020-21	4,546,553.40	94,599.20	2.08
2021-22	6,131,487.21	126,367.66	2.06
2022-23	5,958,720.86	168,507.27	2.83

Source: California Municipal Statistics, Inc.

Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2024-25. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2024-25

	Property Owner	Primary Land Use	2024-25 Assessed Valuation	% of Total (1)
1.	Mount Hermon Association Inc	Campground	$ 24,113,195	0.48%
2.	Lockheed Missiles & Space Company Inc.	Industrial	14,444,671	0.29
3.	Wood VMS Family LP	Lumber Yard	12,668,068	0.25
4.	Masood & Ruth Madani	Residence	9,515,220	0.19
5.	Waterfall Retreat LLC	Campground	6,710,580	0.13
6.	James Michael & Karen J. Scarborough, Trustees	Lumber Yard	6,182,744	0.12
7.	Smithwoods RV Park LLC	RV Park/Campground	4,860,033	0.10
8.	Zayante Properties LLC	Residence	4,180,906	0.08
9.	Ronald D. & Marlo A. Clements, Trustees	Commercial Store	4,007,570	0.08
10.	Patrick J. & Eileen M. Verutti	Residence	3,787,270	0.08
11.	John A. & Jennifer Selden	Residence	3,757,146	0.08
12.	Robert Marin & Celeste De Schulthess Trust	Shopping Center	3,750,686	0.08
13.	Kelley M. and Linda M. Skeff	Residence	3,630,465	0.07
14.	Robert E. & Teresa K. Locatelli, Trustees	Commercial Store	3,606,846	0.07
15.	Lichen Oaks LLC	Residence	3,602,160	0.07
16.	Watkins Family Trust	Residence	3,585,530	0.07
17.	Kathleen M. Gerrity	Residence	3,437,018	0.07
18.	Brookdale Resorts Inc.	Hotel	3,269,743	0.07
19.	Martin L. & Hua Fan Minogue	RV Park	3,201,852	0.06
20.	Transmarinis RE Investment LLC	Inn & Restaurant	3,069,180	0.06
			$125,380,883	2.52%

(1) 2024-25 local secured assessed valuation: $4,978,750,744.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of October 1, 2024. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of October 1, 2024)

2024-25 Assessed Valuation: $5,015,390,037

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 10/1/24**	
Cabrillo Joint Community College District	8.165%	$ 6,939,078	
San Lorenzo Valley Unified School District	**100.000**	**56,254,276**	(1)
Santa Cruz County Community Facilities District No. 1	100.000	5,520,000	
Santa Cruz Libraries Facilities Community Facilities District No. 2016-1	8.697	3,021,773	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$71,735,127	
OVERLAPPING GENERAL FUND DEBT:			
Santa Cruz County General Fund Obligations	8.208%	$13,570,150	
Santa Cruz County Office of Education Certificates of Participation	8.208	542,716	
TOTAL OVERLAPPING GENERAL FUND DEBT		$14,112,866	
COMBINED TOTAL DEBT		**$85,847,993**	(2)

Ratios to 2024-25 Assessed Valuation:
Direct Debt ($56,254,276) 1.12%
Total Direct and Overlapping Tax and Assessment Debt 1.43%
Combined Total Debt 1.71%

(1) Excludes the Bonds offered for sale hereunder.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, 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. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Material Litigation

No Litigation Regarding Bonds or Existence of District. No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* property taxes or to collect other revenues or (iii) contests the District's ability to issue and sell the Bonds.

Claims and Lawsuits Against Public School Districts Generally. The District is routinely 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. The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District, including as a result of the COVID-19 pandemic or Assembly Bill 218. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. The District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Isom Advisors, a Division of Urban Futures, Inc., as municipal advisor to the District, and Kutak Rock LLP, Denver, Colorado, as counsel to the Underwriter, are contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (an **"Annual Report"**) to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website ("**EMMA**") not later than nine months after the end of the District's fiscal year, commencing March 31, 2025, with the report for the 2023-24 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District on EMMA. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Underwriter of the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the **"Rule"**).

In the previous five-years, the District has not failed to comply, in all material respects, with its existing undertakings. In order to assist it in complying with its undertakings pursuant to the Rule, including the undertaking to be entered into with respect to the Bonds, the District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as its dissemination agent.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability with respect to the performance of the District's duties regarding continuing disclosure. The County has not reviewed, nor is it responsible for, the content of this Official Statement.

RATING

Moody's Investors Services ("**Moody's**") has assigned a rating of "Aa1" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained only from Moody's. The District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement because it has been considered not material to making an investment decision in the Bonds). There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

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

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $________ which is equal to the aggregate principal amount of the Bonds of $________, [plus][less] [net] original issue [premium][discount] of $________ less an Underwriter's discount of $________.

The bond purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District and, following delivery of the Bonds, will be on file at the office of the Paying Agent in San Francisco, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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 Bonds.

EXECUTION

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

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT

By: ______________________________________
Superintendent

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APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem *property tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the forepart of the Official Statement.*

GENERAL INFORMATION

The District is located in northern Santa Cruz County (the "**County**"), in the State of California (the "**State**"). Encompassing an area of approximately 140 square miles, the District serves the communities of Felton, Ben Lomond, Brookdale, Boulder Creek, Lompico and Mount Hermon. The District is a K-12 school district, and currently operates two elementary schools, four grades K-5, one middle school for grades 6-8, one high school for grades 9-12, and one dependent charter school. There is one additional, independent, charter school in the boundaries of the District. See "—Charter Schools" below. Enrollment in the District for the 2024-25 school year is budgeted for approximately 2,014 students. For purposes of education funding, the District is a Basic Aid District or Community Supported District, meaning that the District's share of local property taxes exceeds it funding entitlement under the State's education funding formula. For more information on the District's Basic Aid status, see "–Community Supported District" below.

For more information regarding the District and its finances see APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the County.

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 State 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 the petition for a charter school's creation 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: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to 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 (iii) to provide competition within the public school system to stimulate improvements in all public schools.

District Governance and Administration

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

Name	Office	Term Expires
Mark Becker	President	December 2026
Gail Levine	Clerk	December 2026
Stacy Newsom Kerr	Trustee	December 2026
Grace Pollack	Trustee	December 2024
Jacqui Rice	Trustee	December 2024

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Christopher Schiermeyer currently services as Superintendent of the District and Anna Seymour currently serves as the Assistant Superintendent, Business Services.

Recent Enrollment Trends

The following table shows a recent history and budgeted enrollment for the District.

ANNUAL ENROLLMENT
Fiscal Years 2017-18 through 2024-25
San Lorenzo Valley Unified School District

Fiscal Year	Student Enrollment*	% Change
2017-18	2,339	--%
2018-19	2,328	(0.5)
2019-20	2,299	(1.2)
2020-21	2,131	(7.3)
2021-22	2,120	(0.5)
2022-23	2,087	(1.6)
2023-24	2,038	(2.3)
2024-25**	2,014	(1.2)

* Does not include charter school enrollment.
** Budgeted.
Source: California Department of Education; San Lorenzo Valley Unified School District.

Employee Relations

The District has 130.0 certificated full-time equivalent ("**FTE**") employees, 102.0 classified FTE employees, and 24.5 management/supervisor/confidential FTE employees. The employees of the District are represented by bargaining units, as follows:

Employee Group	Representation	Contract Expiration Date
Certificated	San Lorenzo Valley Teachers' Association	June 30, 2026
Classified	Service Employees International Union Local 521	June 30, 2027

Source: San Lorenzo Valley Unified School District.

FINANCIAL INFORMATION

Education Funding Generally

School districts in the State receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly impact a school district's revenues and operations.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, school districts receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of average daily attendance ("**ADA**"), which varies with respect to different grade spans and are adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English 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 65% (which was increased from 50% as part of the State's trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF entitlement calculations for fiscal year 2024-25 are set forth in the following table.

Fiscal Year 2024-25 Base Grant Funding* Under LCFF by Grade Span

Entitlement Factor	TK/K-3	4-6	7-8	9-12
A. 2023-24 Base Grant per ADA	$9,919	$10,069	$10,367	$12,015
B. 2024-25 COLA for LCFF (A x 1.07%)	$106	$108	$111	$129
C. 2024-25 Base Grant per ADA before Grade Span Adjustments (A+B)	$10,025	$10,177	$10,478	$12,144
D. Grade Span Adjustments (TK-3: C x 10.4%; 9-12: C x 2.6%)	$1,043	n/a	n/a	$316
E. 2024-25 Base Grant/Adjusted Base Grant per ADA (C + D)	$11,068	$10,177	$10,478	$12,460

*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%, (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion of Unduplicated Pupil Percentage that exceeds 55%, times 65%, and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of $3,077 times the school district's current year TK ADA.
Source: California Department of Education.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Community Supported Districts. Community Supported Districts (also known as Basic Aid Districts), are those whose local property tax revenues exceed the funding entitlement under the LCFF. Community Supported Districts do not receive any funds from the State appropriation, however, they do receive funds from the State for categorical and grant programs restricted to a special population or for certain purposes such as disabled students or instructional equipment. The current law in California allows these districts to keep the excess property tax revenues without penalty. The implication for Community Supported Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors. Under Proposition 30, Basic Aid Districts are entitled to the minimum $200 per pupil from the Education Protection Account, and, under the Constitution, Basic Aid Districts receive a minimum of $120 per pupil.

The District's Basic Aid status is a result of reductions to its LCFF allocation, occasioned by reduced levels of State funding of education, declining enrollment, and increasing property tax collections, such that the District's property taxes now represent the bulk of its LCFF allocation revenues. The District expects to continue to have local property tax revenue in excess of its LCFF entitlement for the near future.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Community Supported District

The District's local property taxes have exceeded the Local Control Funding Formula (the **"LCFF"**) allocation for the District, resulting in the District being treated as a "Community Supported District" for purposes of general-purpose education funding by the State for over 35 years. With implementation of the LCFF, commencing in fiscal year 2013-14, a school district, that has property tax revenues exceeding its entitlement under the LCFF, is entitled to keep the local property tax revenues that exceed its LCFF funding entitlement. The District expects to continue to have local property tax revenue in excess of its LCFF allocation for the near future, and expects a benefit of approximately $2.3 million in fiscal year 2024-25 as a result of being a Community Supported District.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's audited financial statements for fiscal year 2022-23 were prepared by Chavan & Associates, LLP, Morgan Hill, California, and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Associate Superintendent, Business and Operations, San Lorenzo Valley Unified School District, 325 Marion Avenue, Ben Lomond, California 95005; (831) 336-9531. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2018-19 through 2022-23.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2018-19 through 2022-23 (Audited)
San Lorenzo Valley Unified School District [(1)]

Revenues	**Audited 2018-19**	**Audited 2019-20**	**Audited 2020-21**	**Audited 2021-22**	**Audited 2022-23**
LCFF sources	$24,769,286	$25,545,874	$25,439,502	$27,168,107	$28,490,735
Federal Revenues	1,173,570	1,033,865	2,055,391	1,677,575	2,219,971
Other state revenues	3,910,662	2,744,138	3,524,997	4,788,260	6,442,928
Other local revenues	3,075,125	2,919,981	4,463,441	2,767,527	3,889,513
Total Revenues	32,928,643	32,243,858	35,483,331	36,401,469	41,043,147
Expenditures					
Instruction	18,034,632	17,786,764	16,939,697	18,982,719	19,975,512
Instruction-related services:					
Supervision of instruction	630,969	768,579	736,262	892,437	1,022,067
Library, media and technology	460,820	448,877	323,584	496,731	445,134
School site administration	2,281,686	2,283,179	2,139,944	2,394,947	2,473,489
Pupil services:					
Home-to-school transportation	1,099,415	896,953	713,922	820,822	1,011,454
Food Services	1,094	2,760	71,679	2,760	15,901
All other pupil services	2,248,930	2,326,057	2,349,579	2,917,830	2,799,955
General administration:					
Data processing	544,928	515,054	500,507	669,769	677,617
All other general administration	2,248,201	2,331,000	2,622,306	2,537,347	2,639,186
Plant services/Maintenance and operations	3,160,523	3,015,744	4,562,839	3,348,556	3,771,961
Facility acquisition and construction	452,167	1,499,232	816,867	366,708	809,954
Ancillary Services	306,252	265,139	208,759	499,041	713,096
Other outgo	222,762	204,037	165,094	200,467	375,920
Debt service: Principal	86,889	--	--	--	46,117
Debt service: Interest	2,878	--	--	--	5,266
Total Expenditures	31,782,146	32,343,375	32,151,039	34,130,134	36,782,629
Excess of Revenues Over/(Under) Expenditures	1,146,497	(99,517)	3,332,292	2,271,335	4,260,518
Total Other Financing Sources (Uses)	(344,836)	(128,944)	(131,999)	(61,725)	--
Net change in fund balance	801,661	(228,461)	3,200,293	2,209,610	4,260,518
Fund Balance, July 1	13,111,444	13,913,105	13,684,644	17,127,322	19,336,932
Prior period adjustment-GASB 84	--	--	242,385	--	--
Net position beginning as adjusted	--	--	13,927,029	--	--
Fund Balance, June 30	$13,913,105	$13,684,644	$17,127,322	$19,336,932	$23,597,450

(1) Totals may not foot due to rounding.
Source: San Lorenzo Valley Unified School District Audit Reports. Because the District is a Basic Aid District, the majority of LCFF funding is derived from local sources.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain 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 Santa Cruz County Superintendent of Schools (the **"County Superintendent"**).

The County Superintendent must review and 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 subsequent year 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) after also consulting with the district's board, develop and impose 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 (**"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 two fiscal years. 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 the 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 current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget and Interim Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

District's General Fund. The following table shows the general fund figures for fiscal year fiscal year 2023-24 (unaudited actuals) and fiscal year 2024-25 (adopted budget).

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2023-24 (Unaudited Actuals)
Fiscal Year 2024-25 (Adopted Budget)

Revenues	**Unaudited Actuals 2023-24**	**Adopted Budget 2024-25**
Total LCFF Sources	$26,804,675	$24,809,988
Federal Revenues	2,653,275	1,398,419
Other state revenues	3,553,236	3,193,753
Other local revenues	5,508,628	2,656,609
Total Revenues	38,519,814	32,058,769
Expenditures		
Certificated Salaries	13,433,026	13,761,130
Classified Salaries	6,592,180	7,019,754
Employee Benefits	8,667,649	9,289,830
Books and Supplies	2,121,515	1,298,396
Services and Other Operating Expenditures	4,770,751	4,603,769
Capital Outlay	1,170,698	160,770
Other Outgo (excluding transfers of indirect costs)	190,744	237,593
Other Outgo	--	--
Total Expenditures	36,946,562	36,371,243
Excess of Revenues Over/(Under) Expenditures	1,573,251	(4,312,474)
Other Financing Sources (Uses)		
Operating transfers in	116,269	540,388
Operating transfers out	(1,000,000)	(233,000)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(883,731)	307,388
Net change in fund balance	689,520	(4,005,086)
Fund Balance, July 1	15,565,576	15,936,929
Fund Balance, June 30 (1)	$16,255,096	$11,931,844

(1) Fund balances do not reflect all funds included in the District's general fund in the audited financial statements shown above.

Source: San Lorenzo Valley Unified School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future.

Under State law, there are certain restrictions on the amounts that can be held in reserve by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in any fiscal year in which when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period, if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multi-year infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap has not been triggered for fiscal year 2024-25.

Attendance - LCFF Funding

With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. With implementation of the LCFF commencing in fiscal year 2013-14, a school district, such as the District, which has property tax revenues which exceed its entitlement under the LCFF, is entitled to keep its local property tax revenues which exceed its LCFF funding entitlement.

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

***LCFF Sources*.** District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the 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. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts that were Basic Aid prior to implementation of the LCFF, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement, provided that the per-pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues. The threshold for Community Supported status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. The District is a Community Supported District. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's LCFF funding entitlement and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material. For additional discussion of State aid to school districts, see "- Education Funding Generally."

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals.

Furthermore, the District receives substantial local revenues from an education foundation revenue and a parcel tax, as more fully described below.

> ***The San Lorenzo Valley Foundation for Education****:* The District's foundation, a non-profit 501(c)(3) organization, was founded in 2003 to partner with the community in assisting the District financially, in areas not adequately funded by the State. The foundation raises between $5,000 and $20,000 per year.
>
> ***Parcel Tax****:* The District also receives approximately $500,000 per year from a $49.70 per parcel assessment tax passed in 1996 (with no expiration) for recreation and maintenance purposes.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. The plan is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. The benefit provisions and contribution amounts are established by State laws, as amended from time to time.

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013, however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

Assembly Bill 1469 was adopted as part of the State's fiscal year 2014-15 budget (**"AB 1469"**), aimed at fully funding the unfunded actuarial obligation of STRS with respect to service credited to member of STRS prior to July 1, 2014, within 32 years, by increasing contribution rates of members, K-14 school district employers, and the State. Under AB 1469, employer contributions were proposed to steadily increase over seven years. However, several modifications to the schedule were undertaken in connection with State budgets. Contribution rates for the past several years are summarized in the following table:

STRS EMPLOYER CONTRIBUTION RATES
Effective Dates of July 1, 2018 through July 1, 2024

Effective Date	Employer Contribution Rate
July 1, 2018	16.28%
July 1, 2019	18.13
July 1, 2020	19.10
July 1, 2021	16.92
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10

Source: STRS.

The State also continues to contribute to STRS, and its contribution rate is 8.328% in fiscal year 2024-25.

The District's recent contributions to STRS including the current budgeted fiscal year are set forth in the following table. These contributions represent 100% of the required contribution for each year.

STRS CONTRIBUTIONS
San Lorenzo Valley Unified School District
Fiscal Years 2018-19 through 2024-25

Fiscal Year	Amount
2018-19	$1,930,004
2019-20	2,104,757
2020-21	1,913,355
2021-22	2,123,211
2022-23	2,528,256
2023-24(1)	3,549,308
2024-25(2)	3,724,940

(1) Unaudited actual.
(2) Budgeted.
Source: San Lorenzo Valley Unified School District.

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately $86.6 billion, based on a market value of assets, as of June 30, 2023, which is the date of the last actuarial valuation.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, employers are required to contribute an amount based on an actuarially determined employer rate, and employees make contributions which vary based on their date of hire.

Like the STRS program, PERS has experienced an unfunded liability in recent years. To address this issue, the PERS board has taken a number of actions, including changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates and adopting changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy incrementally lowering its discount rate (its assumed rate of investment return) in years of good investment returns, to help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. SB 90, and Assembly Bill 84/Senate Bill 111 (**"AB 84"**) of June 2020, directed contributions of $430 million and $330 million in satisfaction of portions of employer contribution rates in fiscal years 2020-21 and 2021-22, respectively. Recent employer contribution rates are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2024-25

Fiscal Year	Employer Contribution Rate[1]
2019-20	19.721%
2020-21	20.700
2021-22	22.910
2022-23	25.370
2023-24	26.680
2024-25	27.050

(1) Expressed as a percentage of covered payroll.
Source: PERS

The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS EMPLOYER CONTRIBUTIONS
San Lorenzo Valley Unified School District
Fiscal Years 2018-19 through 2024-25

Fiscal Year	Amount
2018-19	$874,252
2019-20	995,965
2020-21	1,035,321
2021-22	1,309,227
2022-23	1,571,960
2023-24[1]	1,605,934
2024-25[2]	1,777,833

(1) Unaudited actual.
(2) Budgeted.
Source: San Lorenzo Valley Unified School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately $40.6 billion, based on a market value of assets, as of June 30, 2023, which is the date of the last actuarial valuation.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information - STRS and PERS. Additional information regarding the District's retirement programs is available in Notes 7 and 8 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Retirement Benefits (OPEB)

Plan Description. The District administers a single-employer defined benefit other post-employment benefit plan (the "**Plan**") that provides medical, dental and vision insurance benefits to eligible retirees. Membership of the Plan consists of 18 retirees and beneficiaries currently receiving benefits and 286 active plan members.

Benefits Provided. The District offers medical and prescription drug benefits to its employees and retirees through California's Valued Trust ("**CVT**"), a jointly managed trust, on a pooled, self-insured basis. A separate three-tiered rate structure applies to retirees under the age of 65. A choice of 13 medical/prescription drug options are offered to eligible retirees. Delta Dental and VSP Vision are also offered by the District outside of CVT.

Certificated, classified, certificated management, classified management, and confidential employees who have attained age 55 and completed at least 15 years of continuous service with the District immediately prior to retirement are eligible to receive District-paid medical, prescription drug, dental and vision coverage for the retiree only up to a District cap of $783 per month, effective October 1, 2016. The cap is frozen and applies to all current and future retirees.

Classified employees who are less than 50% full-time are not eligible for District-paid retiree health benefits under the District retiree health policy. Classified employees who are between 50% and 100% full-time receive a pro-rated portion of the District's contribution upon retirement. Groups other than Classified are required to have been full-time employees in order to receive District-paid benefits.

District-paid benefits continue for 7 years but not beyond age 65. For employees hired after July 1, 2015, benefits continue for up to 5 years only.

Contributions. The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total benefit payments included in the measurement period were $139,415. The actuarially determined contribution for the measurement period was $311,904. The District's contributions and benefit payments were 0.65% of payroll during the measurement period June 30, 2023 (reporting period June 30, 2023). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions and Other Inputs. The District's total OPEB liability of $2,608,616 was measured as of June 30, 2023 and was determined by an actuarial valuation as of the same date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: discount rate of 3.86%, inflation 2.75%, salary increases 3.00%, and healthcare cost trend rate 5.0%. The discount rate is based on the Bond Buyer 20-Bond General Obligation Index. Mortality rates are based on the generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2023, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
San Lorenzo Valley Unified School District

	Total OPEB Liability
Balance at June 30, 2022	$2,556,281
Service Cost	122,329
Interest	91,755
Balance of changes in assumptions	(22,334)
Benefit payments	(139,415)
Net changes	52,335
Balance at June 30, 2023	$2,608,616

Source: San Lorenzo Valley Unified School District Audit Report.

OPEB Expense. For the year ended June 30, 2023, the District recognized an OPEB expense of $236,472.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 9 of APPENDIX B to the Official Statement.

Insurance – Joint Powers Agreement

The District participates in several Joint Powers Agreements ("**JPAs**") insurance purchasing pool public entity risk pools. The District's workers' compensation coverage and property and liability coverage is obtained through its membership in the Santa Cruz San Benito County School Insurance Group ("**SCSBCSIG**") and the Southern Peninsula Regional Property and Liability Insurance Group ("**SPRIG**"), respectively. The District pays annual premiums to SCSBCSIG and SPRIG. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

The District obtains health, dental and vision insurance coverage through three other JPAs. Medical coverage is obtained through the Self-Insured Schools of California; dental coverage is obtained through the Santa Cruz County Schools Dental Insurance Group; and vision insurance is obtained through the Santa Cruz County Schools Vision Insurance Group. The District pays premiums to each of these JPAs monthly. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board.

Disclaimer Regarding Cyber Risks

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of ad valorem property taxes, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

Existing Debt Obligations

General Obligation Bonds. The District's outstanding general obligation bonds are summarized in the following table.

Name of Issue	Issuance Date	Final Maturity Date	Original Issue Amount	Outstanding September 1, 2024
Election of 2000, Series A	04/11/2001	08/01/2025	$8,700,921	$285,174
Election of 2000, Series 2002B	09/10/2002	08/01/2027	3,992,785	999,274
Election of 2000, Series 2004	11/11/2004	08/01/2029	5,805,233	2,895,085
Election of 2008, Series 2008A	03/31/2008	02/01/2033	13,028,207	3,074,743
Election of 2020, Series A	06/09/2020	08/01/2050	25,000,000	19,245,000
2020 General Obligation Refunding Bonds*	09/30/2020	08/01/2035	6,590,000	6,260,000
Election of 2020, Series B	06/09/2022	08/01/2052	25,000,000	23,495,000
TOTAL			$88,117,146	$56,274,276

* Privately placed bonds.

Subscriptions-Based Information Technology Arrangements (SBITAs). The District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The District recorded an intangible right of use subscription assets of $240,890 and corresponding subscription liabilities of $240,890.

For more information regarding the details of the District's SBITA, see Notes 4 and 6 of APPENDIX B to the Official Statement.

Compensated Absences. Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to $87,446.

Impact of COVID-19

As described in this Official Statement, while indications are that the COVID-19 pandemic is transitioning to an endemic stage, many variables will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery. The ultimate impact of COVID-19 on the District's operations and finances is not fully known, and it may be some time before the full impact of the COVID-19 pandemic is known. The Bonds described in this Official Statement are not secured by the District's funds, but rather are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are not payable from the General Fund of the District.

Investment of District Funds

In accordance with California Government Code Sections 53600 *et seq*., the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the California Government Code. See APPENDIX G to the Official Statement for the County's current investment policy and recent investment report.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—Education Funding Generally" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

*The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the **"LAO"**). Neither the District, the Underwriter nor the County is responsible for the information provided in this section.*

State Funding of Education Generally

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive the majority of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State's general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The State Budget Process

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year. Under State law, the annual proposed State budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the State budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Resources Relating to State Budgets

Certain information about the State budgeting process and the State budget is available through several State sources. Convenient sources of information include:

- www.treasurer.ca.gov: The California State Treasurer internet home page, under the link to "Bond Finance" and sub-heading "-Public Finance Division", includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.

- www.dof.ca.gov: The California Department of Finance's (the **"DOF"**) internet home page, under the link to "California Budget", includes the text of proposed and adopted State Budgets.

- www.lao.ca.gov: The LAO's internet home page includes a link to "-The Budget" which includes analyses and commentary on fiscal outlooks.

The above references to internet websites shown are shown for reference and convenience only. The information contained within the websites may include outdated information and has not been reviewed for accuracy by the District or the Underwriter. Such information is not incorporated herein by reference.

The 2024-25 State Budget

The Governor signed the fiscal year 2024-25 State budget on June 29, 2024, which was amended through a series of legislative trailer bills (the "**2024-25 State Budget**"). The 2024-25 State Budget notes that the State has experienced significant revenue volatility and unprecedented revenue growth that was quickly followed by a sharp and deep correction back toward historical trends. The 2024-25 State Budget also notes that the unprecedented Internal Revenue Service tax filing and payment postponement in the year 2023 significantly clouded the State's revenue forecast, and indicates that, with the revenue picture now clearer, the 2024-25 State Budget takes steps to ensure California is on sound fiscal footing by setting the State on a fiscally responsible long-term path that protects vital programs.

The 2024-25 State Budget includes provisions intended to address a budget deficit of approximately $46.8 billion while also creating positive fund balance in State's Special Fund for Economic Uncertainties (the "**SFEU**") in fiscal years 2024-25 and 2025-26 and maintaining core programs for vulnerable populations. The 2024-25 State Budget includes approximately $16.0 billion in budgetary reductions, comprising (a) an approximately 7.95% reduction in the State's operations budget resulting in State general fund savings of approximately $2.2 billion, (b) a $1.5 billion permanent reduction in State departments' budgets for vacant positions, (c) a reduction of approximately $0.4 billion in State Department of Corrections and Rehabilitation budget in fiscal year 2024-25 and a total reduction of approximately $0.7 billion in fiscal years 2022-23 through 2024-25, (d) $1.1 billion reduction in various affordable housing programs, and (e) $0.7 billion reduction for various healthcare workforce housing programs.

The 2024-25 State Budget includes a $13.6 billion increase in revenues by means of additional revenue sources and internal borrowing from special funds, which incorporates suspension of net operating loss deductions for companies with over $1.0 million in taxable income and limits business tax credits to $5.0 million in fiscal years 2023-2024 through 2025-2026, and increased managed care organization tax generating $5.1 billion in fiscal year 2024-

25, $4.6 billion in fiscal year 2025-26, and $4.0 billion in fiscal year 2026-27. Significantly, the 2024-25 State Budget provides for the withdrawal of approximately $12.2 billion from the State Rainy Day Fund (the "Rainy Day Fund") over fiscal years 2024-25, and 2025-26 and approximately $0.9 billion from the State Safety Net Reserve in fiscal year 2024-25.

Additional balancing measures include $6.0 billion in fund shifts, such as (a) applying a prior CalPERS supplemental pension payment to the State's overall pension liability which reduces the State's required employer contributions in fiscal year 2024-25 by $1.7 billion, (b) shifts approximately $1.0 billion in expenditures from the State general fund to the State's greenhouse gas reduction fund for the Formula and Competitive Transit and Intercity Rail Capital Program, and (c) shifts approximately $3.0 billion in expenditures from the State general fund to the State's greenhouse gas reduction fund for clean energy and other climate programs. The 2024-25 State Budget also delays funding for programs such as the State food assistance program expansion, developmental services, childcare slots and the State's broadband program by a total amount of approximately $3.1 billion and includes approximately $2.1 billion in payroll and University of California and California State University compact deferrals. Some of the core programs maintained in the 2024-25 State Budget include funding of the Proposition 98 minimum guarantee at approximately $115.3 billion for school districts and community colleges, Medi-Cal expansion of health care, multiple programs supporting the expansion of the continuum of behavioral health treatment and infrastructure capacity for providing behavioral health services, State supplemental payment base grants, CalWORKs base grants, in-home supportive services and certain broadband programs.

The 2024-25 State Budget projects total resources available in fiscal year 2023-24 of approximately $236.5 billion, including revenues and transfers of approximately $189.4 billion and a prior year balance of approximately $47.1 billion, and total expenditures in fiscal year 2023-24 of approximately $223.1 billion. The 2024-25 State Budget projects total resources available for fiscal year 2024-25 of approximately $225.6 billion, inclusive of revenues and transfers of approximately $212.1 billion and a prior year balance of approximately $13.4 billion. The 2024-25 State Budget projects total expenditures in fiscal year 2024-25 of approximately $211.5 billion, inclusive of non-Proposition 98 expenditures of approximately $128.9 billion and Proposition 98 expenditures of approximately $82.6 billion. The 2024-25 State Budget projects total reserve balances of $22.2 billion at the end of fiscal year 2024-25. This includes $17.6 billion in the State Rainy Day Fund, $3.5 billion in the State's SFEU, and $1.1 billion in the Proposition 98 Rainy Day Fund. The 2024-25 State Budget includes total funding of $133.8 billion for all K-12 education programs, including $81.5 billion from the State's general fund and $52.3 billion from other funds. The 2024-25 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2024-25 State Budget include:

Proposition 98 Minimum Guarantee. The 2024-25 State Budget suspends the Proposition 98 minimum guarantee in fiscal year 2023-24 and projects the Proposition 98 minimum guarantee to be in Test 1 in fiscal year 2024-25. In Test 1 years, the Proposition 98 minimum guarantee is equal to the percentage of State general fund appropriated for K-14 schools in the fiscal year 1986-87. Suspending the Proposition 98 minimum guarantee is projected to create a maintenance factor obligation of approximately $8.3 billion in fiscal year 2023-24 and is projected to result in a $4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Proposition 98 minimum guarantee level in fiscal year 2024-25. The 2024-25 State Budget reflects Proposition 98 funding levels of $103.7 billion in fiscal year 2022-23, $98.5 billion in fiscal year 2023-24, and $115.3 billion in fiscal year 2024-25. Such funding represents approximately 39.2% of the State's general fund revenues, plus local property tax revenues and a $4.1 billion maintenance factor payment. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2024-25 State Budget increased the funding level from approximately 38.6% to approximately 39.2% to increase the percentage of State general fund revenues due to the minimum guarantee.

Proposition 98 Rainy Day Fund. The 2024-25 State Budget includes a withdrawal of the entire $8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 and a discretionary payment of approximately $1.1 billion in fiscal year 2024-25, leaving a projected balance of $1.1 billion at the end of fiscal year 2024-25. Because there is no ending balance at the end of the 2023-24 fiscal year and a balance of $1.1 billion at the end of the 2024-25 fiscal year, school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26.

Local Control Funding Formula. The 2024-25 State Budget includes LCFF cost-of-living adjustment of 1.07%. The cost-of-living adjustment, when combined with population growth adjustments, increases discretionary funding for local agencies by approximately $983 million. To fully fund the LCFF, the 2024-25 State Budget withdraws approximately $5.3 billion from the Proposition 98 Rainy Day Fund to support LCFF costs in fiscal year 2023-24 and uses available reappropriation and reversion funding of $253.9 million to support ongoing LCFF costs in fiscal year 2024-25.

Deferrals. The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately $3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately $246 million. Additionally, the 2024-25 State Budget reflects approximately $2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferred categorical amount being repaid using Proposition 98 Rainy Day Fund resources.

Learning Recovery Emergency Block Grant. The 2024-25 State Budget focuses the use of allocated but unexpended Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs, and incorporates the use of these funds into the existing Local Control and Accountability Plan development process.

Employee Protections. To ensure stable employment for school staff, the 2024-25 State Budget includes a suspension of the August 15, 2024, layoff window for certificated and classified staff.

Instructional Continuity and Attendance Program. The 2024-25 State Budget includes statutory changes to allow local educational agencies to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to local educational agencies. Beginning in fiscal year 2024-25, the 2024-25 State Budget allows local educational agencies to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education for funding purposes. Beginning July 1, 2025, the 2024-25 State Budget requires local educational agencies to include an instructional continuity plan in their School Safety Plan as a component of their emergency funding application (J-13A waiver). The plan must include procedures for student engagement within 5 days of an emergency and a plan to provide hybrid or remote learning opportunities to students within 10 instructional days. The 2024-25 State Budget also includes a $4.0 million in one-time Proposition 98 general fund resources to research and develop new models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity.

Teacher Professional Development and Preparation. To expand the state's educator training infrastructure, the 2024-25 State Budget (a) provides $25 million of one-time Proposition 98 general fund resources to support necessary costs, including training for educators to administer literacy screenings to meet the requirement to screen students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year; and (b) provides $20.0 million in one-time Proposition 98 general fund resources for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or non-profit providers, to develop and provide training aligned with the new California Mathematics Framework for mathematics coaches and leaders who in turn can provide training and support to mathematics teachers to deliver high-quality instruction.

State Preschool Program. The 2024-25 State Budget provides approximately $53.7 billion of State's general fund resources to support reimbursement rate increases previously supported by available one-time federal stimulus funding. The 2024-25 State Budget reflects one-time savings of $190.7 million general fund and $522.3 million Proposition 98 general fund. The 2024-25 State Budget authorized State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027. The 2024-25 State Budget maintains that the State Preschool Program continue to require providers to reserve 5% of funded enrollment for children with disabilities. However, the 2024-25 State Budget suspends provisions to increase this requirement to 7.5% in fiscal year 2025-26 and 10% in fiscal year 2026-27.

Transitional Kindergarten. The 2024-25 State Budget provides approximately $988.7 million in Proposition 98 general fund resources for the 2023-24 school year to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and April 2. The 2024-25 State Budget also provides approximately $390.2 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2024-25 State Budget provides approximately $1.5 billion in ongoing Proposition 98 general fund resources beginning in fiscal year 2024-25 to support the third year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and June 2. The 2024-25 State Budget also provides approximately $515.5 million in ongoing Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.

The 2024-25 State Budget solution-oriented measures that directly impact funding for school districts include forgoing planned investments of (a) $875.0 million to support the school facility program, (b) $550.0 million support to the State preschool, transitional kindergarten and full-day kindergarten facilities grant program, and (c) $500.0 million one-time investment in zero-emission school buses. The 2024-25 State Budget provides approximately $907.1 million to support arts and music in schools, an additional $179.4 million in ongoing Proposition 98 general fund resources and an additional $120.8 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2023-24 and 2024-25, $9.0 million in one-time Proposition 98 general fund resources for the classified school employee summer assistance program, $7.0 million in one-time Proposition 98 general fund resources to support inquiry-based science instruction and assessment through the development of a bank of curriculum-embedded performance tasks, and $5.0 million each for the State teachers collaborative for holocaust and genocide education and school programs in rural districts.

For the full text of the 2024-25 State Budget, see the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. *The references to these Internet websites are shown for reference and convenience only and the information contained on such website is not incorporated by reference into this Official Statement. The information contained on this website may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Disclaimer Regarding State Budgets

The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2024-25 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations. However, the Bonds described herein are secured by *ad valorem* property taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Bonds to provide State Budget information to the District or the owners of the Bonds. Although the sources of information provided herein are known to be reliable, neither the District nor the Underwriter assume any responsibility for the accuracy of the budget information set forth or referred to in this Official Statement or incorporated herein.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory provisions relating to education funding in the State has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto, and how such events could impact the District and its finances.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. 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) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) 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) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) 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. The tax for the payment of the Bonds falls within the exception described in (iii) of the immediately preceding sentence. 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.

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

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 1979.

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

Inflationary Adjustment of Assessed Valuation*.* As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB ("**Article XIIIB**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

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

Articles XIIIC and 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 (respectively, "**Article XIIIC**" and "**Article XIIID**"), 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.

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

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.

While 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Proposition 98

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

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

Proposition 111

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

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

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016, general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax increases of Proposition 30.

California Senate Bill 222

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2022-23

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SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
COUNTY OF SANTA CRUZ
BEN LOMOND, CALIFORNIA

AUDIT REPORT

JUNE 30, 2023

Chavan & Associates, LLP
Certified Public Accountants
15105 Concord Circle, Ste. 130
Morgan Hill, CA 95037

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San Lorenzo Valley Unified School District
County of Santa Cruz

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SECTION

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
San Lorenzo Valley Unified School District
Ben Lomond, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Lorenzo Valley Unified School District (the District), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Lorenzo Valley Unified School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of CalPERS Pension Plan Contribution, Schedule of CalPERS Proportionate Share of Net Pension Liability, Schedule of OPEB Contributions, and schedule of Net OPEB Liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America,

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which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, schedule of average daily attendance, schedule of instructional time, schedule of Charter Schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget report to the audited financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools, schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

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financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

November 30, 2023
Morgan Hill, California

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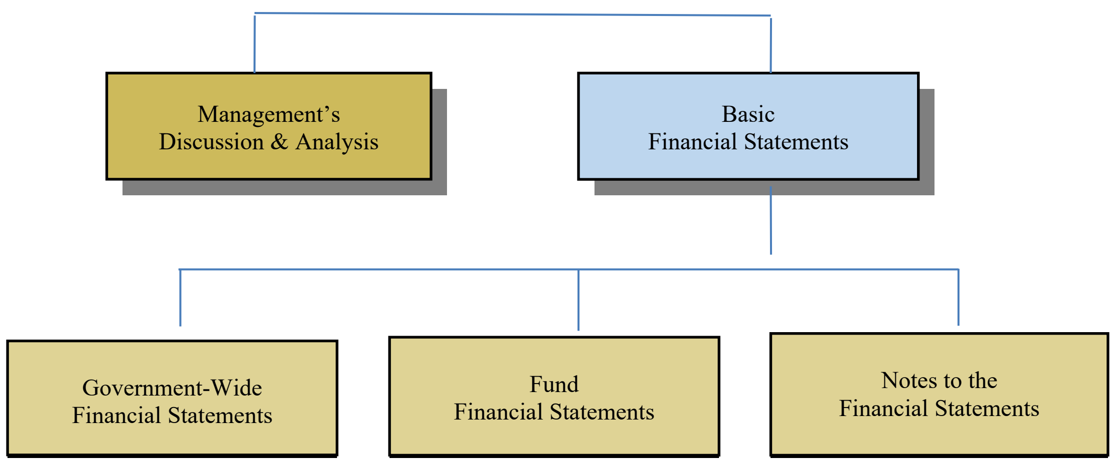
Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2023 were as follows:

- In 2022-23, the General Fund local control funding formula (LCFF) was $28.5 million, which represented $6.4 million from state funding and $3.9 million from local taxes. In 2021-22, LCFF was $27.2 million, which represented $4.8 million from state funding and $2.8 million from local taxes.

- General Fund federal and other state revenues changed from $1.7 million and $4.8 million, respectively, in 2021-22, to $2.2 million and $6.4 million in 2022-23. Other local revenue increased from $2.8 million to $3.9 million.

- The District's total assets of $126.8 million increased by $3.95 million and total liabilities of $120.6 million increased by $8 million from 2021-22 to 2022-23. The increase in liabilities was a result of increases in benefit plan liabilities.

- Total governmental fund balances decreased by $10.4 million. The fund balance in the General Fund increased by $4.3 million from 2021-22.

- Fiscal year 2022-23 ended with General Fund available reserves of $16.6 million compared to 2021-22 available reserves of $15.5 million. The increase was caused by the District's desire to protect instructional programs and personnel from potential future risk as a result of uncertainty in the State economy. The State recommended reserve level for 2022-23 was 3%. The District's General Fund available reserves at June 30, 2023 was 46.8%.

- In compliance with GASB 68, the District recognized its portion of the unfunded STRS and PERS pension liabilities in the statement of net position. These liabilities were based on the most recent actuarial valuations and increased from $17.2 million to $28.1 million in 2022-23.

- In compliance with GASB 75, the District recorded its unfunded liability from other postemployment benefits offered to employees. The total OPEB liability was based on the most recent actuarial valuation and increased from $2.56 million to $2.61 million in 2022-23.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2022 - 2023?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins with the funds balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund, and the Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2023 as compared to June 30, 2022:

Table 1 - Summary of Statement of Net Position

Description		2023		2022		Change	Percentage Change
Assets							
Current Assets	$	67,409,757	$	76,841,269	$	(9,431,512)	-12.27%
Capital Assets		59,360,817		45,974,569		13,386,248	29.12%
Total Assets	$	126,770,574	$	122,815,838	$	3,954,736	3.22%
Total Deferred Outflows of Resources	$	9,027,380	$	6,476,626	$	2,550,754	39.38%
Liabilities							
Current Liabilities	$	8,550,050	$	7,722,099	$	827,951	10.72%
Long-term Liabilities		112,084,720		104,935,729		7,148,991	6.81%
Total Liabilities	$	120,634,770	$	112,657,828	$	7,976,942	7.08%
Total Deferred Inflows of Resources	$	4,055,795	$	13,788,909	$	(9,733,114)	-70.59%
Net Position							
Net Investment in Capital Assets	$	28,174,479	$	22,166,106	$	6,008,373	27.11%
Restricted		8,587,679		8,723,611		(135,932)	-1.56%
Unrestricted		(25,654,769)		(28,043,990)		2,389,221	8.52%
Total Net Position	$	11,107,389	$	2,845,727	$	8,261,662	-290.32%

During the year, deferred outflows of resources increased by 39.4%, deferred inflows of resources decreased by 70.6%, and long-term liabilities increased by 7% because of changes to assumptions and terms in pension plans. GASB 68 and 75 require all local governments to record pension and other postemployment benefit obligations in the government-wide financial statements. There was no impact on fund balance as a result of GASB 68 or GASB 75.

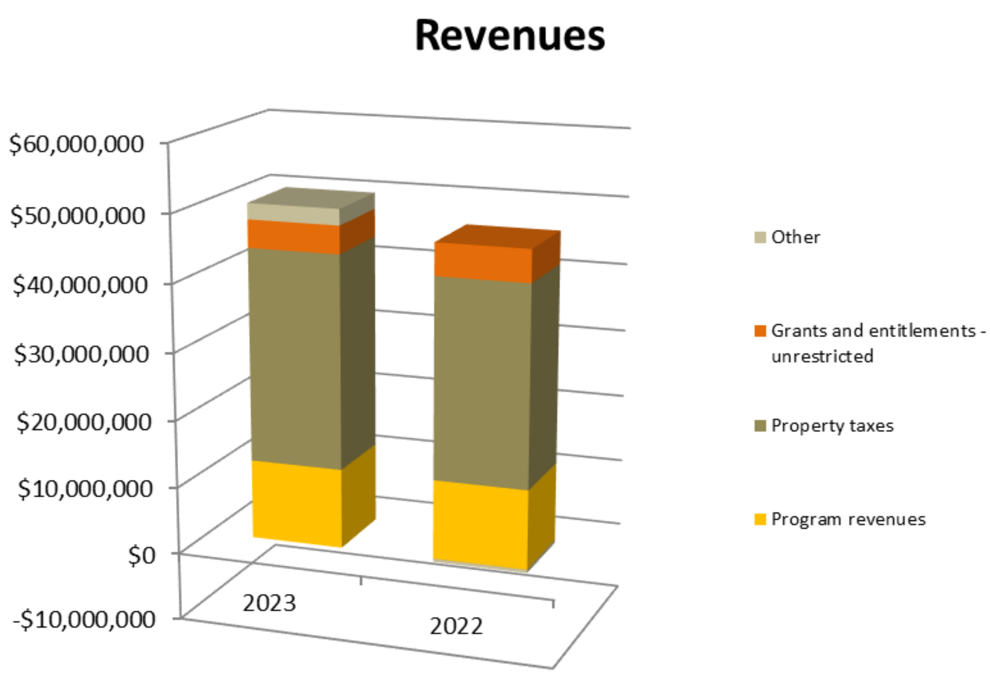
Table 2 shows the changes in net position for fiscal year 2023 as compared to 2022:

Table 2 - Summary of Changes in Statement of Activities

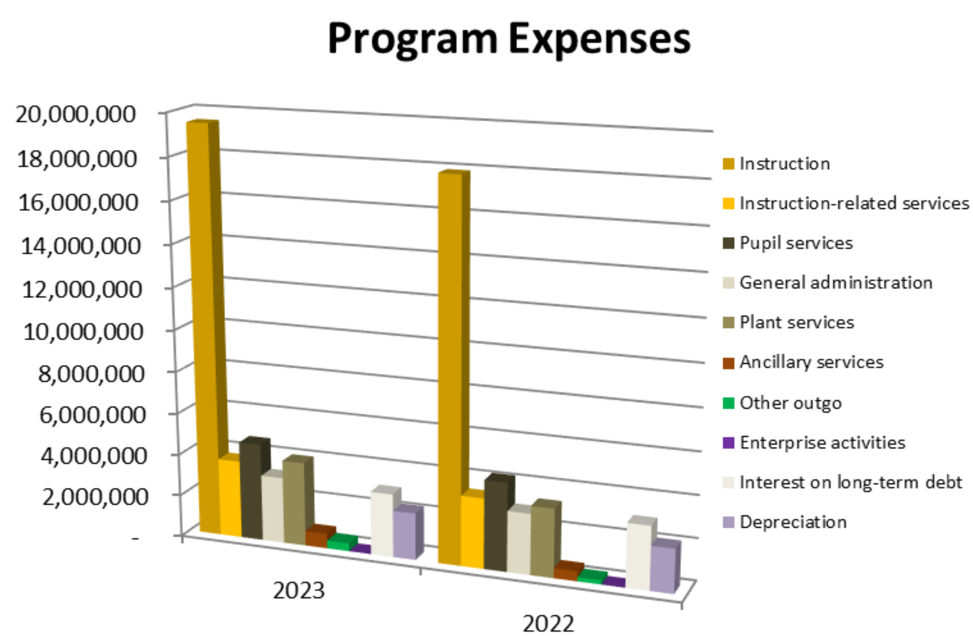
Description	2023	2022	Change	Percentage Change
Revenues				
Program revenues	$ 11,882,279	$ 11,832,572	$ 49,707	0.42%
General revenues:				
Property taxes	31,822,376	29,802,282	2,020,094	6.78%
Grants and entitlements - unrestricted	4,145,385	4,811,660	(666,275)	-13.85%
Other	2,376,406	(468,979)	2,845,385	606.72%
Total Revenues	50,226,446	45,977,535	4,248,911	9.24%
Program Expenses				
Instruction	19,487,437	17,884,556	1,602,881	8.96%
Instruction-related services	3,719,357	3,349,326	370,031	11.05%
Pupil services	4,662,669	4,216,822	445,847	10.57%
General administration	3,163,141	2,895,581	267,560	9.24%
Plant services	4,006,205	3,268,092	738,113	22.59%
Ancillary services	701,107	475,489	225,618	47.45%
Other outgo	375,920	200,467	175,453	87.52%
Interest on long-term debt	3,015,785	3,019,124	(3,339)	-0.11%
Depreciation	2,232,644	2,100,839	131,805	6.27%
Total Expenses	41,364,265	37,410,296	3,953,969	10.57%
Change in Net Position	8,862,181	8,567,239	294,942	3.44%
Beginning Net Position	2,845,727	(4,951,512)	7,797,239	157.47%
Prior Period Adjustments	(600,519)	(770,000)	169,481	22.01%
Ending Net Position	$ 11,107,389	$ 2,845,727	$ 8,261,662	-290.32%

The District's expenses for instructional services decreased from 57% to 56% of total expenses in 2022-23 mostly because of the overall decrease in program expenses, particularly plant services. The purely administrative activities of the District accounted for 8% of total costs in 2022-23 as compared to 8% in 2021-22. Interest on long-term debt represented 7% of total expenses in 2022-23 as compared to 8% in 2022-23. Total expenses were 82% of revenue in 2022-23 versus 81% in 2021-22, which is reflected in the surplus change in net position of $8.3 million in 2022-23 versus a change in net position of $7.8 million in 2021-22. Program revenues were 23.7% of total revenues in 2022-23 and 25.7% of total revenues in 2021-22.

The following is a summary of government wide revenues for the fiscal year ended June 30, 2023:



The following is a summary of expenses by function for the fiscal year ended June 30, 2023:



GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services

Description	2023	2022	Change	Percentage Change
Instruction	$ 11,466,421	$ 9,275,751	$ 2,190,670	23.62%
Instruction-related services	3,339,741	2,788,755	550,986	19.76%
Pupil services	2,204,950	2,356,227	(151,277)	-6.42%
General administration	2,817,901	2,583,939	233,962	9.05%
Plant services	3,904,817	3,154,010	750,807	23.80%
Ancillary services	297,975	228,292	69,683	30.52%
Other outgo	201,752	70,787	130,965	185.01%
Interest on long-term debt	3,015,785	3,019,124	(3,339)	-0.11%
Depreciation	2,232,644	2,100,839	131,805	6.27%
Total Net Cost of Services	$ 29,481,986	$ 25,577,724	$ 3,904,262	15.26%

Instruction expenditures include activities directly dealing with the teaching of pupils.

Instruction-related Services include the activities involved with assisting staff with the content and process of educating students.

Pupil Services include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.

General Administration reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.

Plant Services involve keeping the school grounds, buildings, and equipment in effective working condition.

Ancillary Services represent the expenditures associated with co-curricular and athletic programs for students of the District.

Other Outgo includes tuitions and transfers of resources between San Lorenzo Valley Unified School District and other educational agencies for services provided to San Lorenzo Valley students.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of the 2022-23 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of $3 million from the original to final budget. The overall increase in expenditures was due to increases in employee salaries, benefits, books and supplies and capital outlay. The General Fund final budget basis revenue and other financing sources estimate was $40.1 million. The original budgeted estimate was $33.6 million.

THE DISTRICT'S FUNDS

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances

Description	2023	2022	Change	Percentage Change
General	$23,597,450	$19,336,932	$ 4,260,518	22.0%
Bond Interest and Redemption Fund	5,039,310	6,278,428	(1,239,118)	-19.7%
Cafeteria Fund	799,166	730,590	68,576	9.4%
Building Fund	29,427,583	40,898,932	(11,471,349)	-28.0%
Capital Facilities Fund	267,862	243,205	24,657	10.1%
County School Facilities Fund	165,039	2,234,372	(2,069,333)	-92.6%
Special Reserve Fund for Capital Outlay Projects	1,431,297	1,230,355	200,942	16.3%
Debt Service Fund	-	130,356	(130,356)	-100.0%
Total Fund Balances	$60,727,707	$71,083,170	$ (10,355,463)	-14.6%

CAPITAL ASSETS

Table 5 shows June 30, 2023 balances as compared to June 30, 2022.

Table 5 - Summary of Capital Assets Net of Depreciation

Description	2023	2022	Change	Percentage Change
Land	$ 2,120,136	$ 2,120,136	$ -	0.00%
Work-in-Progress	19,522,896	4,381,955	15,140,941	345.53%
Subscription right of use assets	192,712	-	192,712	100.00%
Buildings	31,776,609	33,367,472	(1,590,863)	-4.77%
Site Improvements	4,469,961	4,755,340	(285,379)	-6.00%
Equipment	1,278,503	1,349,666	(71,163)	-5.27%
Total Capital Assets - Net	$ 59,360,817	$ 45,974,569	$ 13,386,248	29.12%

LONG TERM DEBT

Table 6 summarizes the percent changes in Long-term Debt over the past two years.

Table 6 - Summary of Long-term Liabilities

Description	2023	2022	Change	Percentage Change
Limited/General Obligation Bonds	$ 81,060,069	$ 85,094,850	$ (4,034,781)	-4.74%
Subscription Liabilities	194,773	-	194,773	100.00%
Net Pension Liabilities	28,133,817	17,205,798	10,928,019	63.51%
Total OPEB Liability	2,608,615	2,556,281	52,334	2.05%
Compensated Absences	87,446	78,800	8,646	10.97%
Total Long-term Liabilities	$ 112,084,720	$ 104,935,729	$ 7,148,991	6.81%

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that will affect the school district's future.

The District experienced continued enrollment loss in Fiscal Year 2022-23. ADA protection efforts were put into place by the legislature in 21-22 and will help mitigate funding loss associated with the declining enrollment and ADA.

The San Lorenzo Valley Unified School District's relatively low percentage of unduplicated pupil percentage means the District will only receive annual growth from the District ADA and statutory COLA, which does not coincide with the increase in the District expenses year over year in order to sufficiently keep up with salary increases and inflation costs.

Other issues the district will face over the next years are higher costs arising from scheduled pension contribution rate increases, higher General Fund Contributions to offset funding shortfalls in Special Education, and reliance on Federal and state allocated one-time funding and Basic Aid Supplemental (BAS) Funding rather than ongoing money. BAS and other one-time funding sources are volatile and change drastically from one year to the next based on several variables.

The Governor recently referenced the lower-than-expected revenues that the state has seen since the May revision and the importance of remaining disciplined when it comes to spending.

Future predictions and uncertainties with the COVID-19 pandemic economic disruption, the anticipated ADA fiscal cliff, declining enrollment, LCFF, instructional needs, legislative proposals, and aging District facilities require management to plan carefully and prudently to provide the necessary resources to meet the student's needs, continue to keep pace with inflation increases over the next several years, and to maintain adequate reserves over the minimum typical 3% - 5% required by the state. Currently the District maintains good fiscal health to mitigate the factors bearing on the District's future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Deputy Superintendent of Business Services, San Lorenzo Valley Unified School District, 325 Marion Ave., Ben Lomond, California 95005.

Basic Financial Statements

San Lorenzo Valley Unified School District
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Current assets:	
Cash and investments	$ 63,158,187
Accounts receivable	4,233,872
Stores inventories	17,698
Total current assets	67,409,757
Noncurrent assets:	
Non-depreciable capital assets	21,643,032
Capital assets, net of depreciation	37,717,785
Total noncurrent assets	59,360,817
Total Assets	$ 126,770,574
Deferred Outflows of Resources	
OPEB adjustments	$ 218,308
Pension adjustments	8,809,072
Total Deferred Outflows of Resources	$ 9,027,380
Liabilities	
Current liabilities:	
Accounts payable	$ 5,593,489
Accrued salaries and benefits	38,962
Unearned revenue	1,049,599
Accrued interest	1,868,000
Total current liabilities	8,550,050
Long-term liabilities:	
Due within one year	2,383,865
Due after one year	109,700,855
Total long-term liabilities	112,084,720
Total Liabilities	$ 120,634,770
Deferred Inflows of Resources	
OPEB adjustments	$ 84,768
Pension adjustments	3,971,027
Total Deferred Inflows of Resources	$ 4,055,795
Net Position	
Net Investment in Capital Assets	$ 28,174,479
Restricted for:	
Educational programs	6,382,905
Debt service	990,405
Cafeteria programs	781,468
Capital projects	432,901
Total restricted	8,587,679
Unrestricted	(25,654,769)
Total Net Position (Deficit)	$ 11,107,389

The notes to the financial statements are an integral part of this statement.

San Lorenzo Valley Unified School District
Statement of Activities
For the Fiscal Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	$ 19,487,437	$ 104,111	$ 7,896,256	$ 20,649	$ (11,466,421)
Instruction-related services:					
Supervision of instruction	990,990	12,375	280,908	-	(697,707)
Instruction library, media and technology	395,398	-	-	-	(395,398)
School site administration	2,332,969	-	86,333	-	(2,246,636)
Pupil services:					
Home-to-school transportation	933,004	-	41,347	-	(891,657)
Food services	1,047,602	36,396	1,686,008	-	674,802
All other pupil services	2,682,063	30,165	663,803	-	(1,988,095)
General administration:					
Data processing	644,260	-	-	-	(644,260)
All other general administration	2,518,881	8,696	336,544	-	(2,173,641)
Plant services	4,006,205	2,572	98,816	-	(3,904,817)
Ancillary services	701,107	-	403,132	-	(297,975)
Other outgo	375,920	34,173	139,995	-	(201,752)
Interest on long-term debt	3,015,785	-	-	-	(3,015,785)
Depreciation/amortization unallocated	2,232,644	-	-		(2,232,644)
Total governmental activities	$ 41,364,265	$ 228,488	$ 11,633,142	$ 20,649	(29,481,986)
General revenues and special items:					
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					25,035,072
Taxes levied for debt service					6,300,850
Taxes levied for other specific purposes					486,454
Federal and state aid not restricted to specific purposes					4,145,385
Interest and investment earnings					212,484
Interagency revenues					147,596
Miscellaneous					1,701,349
Special items:					
Gain (loss) on disposal of capital assets					314,977
Total general revenues and special items					38,344,167
Change in net position					8,862,181
Net position beginning					2,845,727
Prior period adjustments					(600,519)
Net position beginning as adjusted					2,245,208
Net position ending (deficit)					$ 11,107,389

The notes to the financial statements are an integral part of this statement.

San Lorenzo Valley Unified School District
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 24,756,702	$ 30,429,695	$ 5,039,310	$ 2,932,480	$ 63,158,187
Accounts receivable	3,554,885	611,880	-	67,107	4,233,872
Due from other funds	1,308	-	-	-	1,308
Stores inventories	-	-	-	17,698	17,698
Total Assets	$ 28,312,895	$ 31,041,575	$ 5,039,310	$ 3,017,285	$ 67,411,065
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 3,650,610	$ 1,613,992	$ -	$ 328,887	$ 5,593,489
Accrued salaries and benefits	38,962	-	-	-	38,962
Due to other funds	-	-	-	1,308	1,308
Unearned revenue	1,025,873	-	-	23,726	1,049,599
Total Liabilities	4,715,445	1,613,992	-	353,921	6,683,358
Fund balances:					
Nonspendable:					
Revolving fund	5,000	-	-	-	5,000
Stores inventories	-	-	-	17,698	17,698
Restricted for:					
Educational programs	6,382,905	-	-	-	6,382,905
Debt service	-	-	5,039,310	-	5,039,310
Cafeteria programs	-	-	-	781,468	781,468
Capital projects	-	29,427,583	-	432,901	29,860,484
Assigned for:					
Deferred maintenance	510,295	-	-	-	510,295
Medi admin account	24,635	-	-	-	24,635
JPA safety fund	39,177	-	-	-	39,177
Capital projects	-	-	-	1,431,297	1,431,297
Unassigned:					
Economic uncertainties	15,693,448	-	-	-	15,693,448
Unappropriated	941,990	-	-	-	941,990
Total Fund Balances	23,597,450	29,427,583	5,039,310	2,663,364	60,727,707
Total Liabilities and Fund Balances	$ 28,312,895	$ 31,041,575	$ 5,039,310	$ 3,017,285	$ 67,411,065

The notes to the financial statements are an integral part of this statement.

San Lorenzo Valley Unified School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2023

Total fund balances - governmental funds		$ 60,727,707
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	$ 101,026,519	
Accumulated depreciation/amortization	(41,665,702)	59,360,817
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.		(1,868,000)
The differences between projected and actual amounts in pension and OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:		
OPEB adjustments:		
Difference between actual and expected experience		218,308
Change in assumptions		(84,768)
Pension adjustments:		
Difference between actual and expected experience		(1,376,361)
Difference between actual and expected earnings		827,926
Change in assumptions		1,717,019
Differences in proportionate share of contributions		(820,382)
Changes in employer's proportionate shares		389,627
Contribution subsequent to measurement date		4,100,216
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
Limited and general obligation bonds	$ 81,060,069	
Subscription liabilities	194,773	
Net pension liabilities	28,133,817	
Total OPEB liability	2,608,615	
Compensated absences (vacation)	87,446	(112,084,720)
Total net position - governmental activities		$ 11,107,389

The notes to the financial statements are an integral part of this statement.

San Lorenzo Valley Unified School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 28,490,735	$ -	$ -	$ -	$ 28,490,735
Federal revenue	2,219,971	-	-	457,556	2,677,527
Other state	6,442,928	-	41,576	950,850	7,435,354
Other local	3,889,513	876,488	6,330,769	211,083	11,307,853
Total revenues	41,043,147	876,488	6,372,345	1,619,489	49,911,469
Expenditures:					
Current					
Instruction	19,975,512	-	-	-	19,975,512
Instruction-related services:					
Supervision of instruction	1,022,067	-	-	-	1,022,067
Instruction library, media and technology	445,134	-	-	-	445,134
School site administration	2,473,489	-	-	-	2,473,489
Pupil services:					
Home-to-school transportation	1,011,454	-	-	-	1,011,454
Food services	15,901	-	-	1,061,698	1,077,599
All other pupil services	2,799,955	-	-	-	2,799,955
General administration:					
Data processing	677,617	-	-	-	677,617
All other general administration	2,639,186	-	-	9,422	2,648,608
Plant services	3,771,961	6,332	-	139,217	3,917,510
Facilities acquisition and construction	809,954	12,341,505	-	2,499,287	15,650,746
Ancillary services	713,096	-	-	-	713,096
Other outgo	375,920	-	-	-	375,920
Debt service:					
Principal	46,117	-	4,288,247	-	4,334,364
Interest and fees	5,266	-	3,323,216	-	3,328,482
Total expenditures	36,782,629	12,347,837	7,611,463	3,709,624	60,451,553
Excess (deficiency) of revenues over (under) expenditures	4,260,518	(11,471,349)	(1,239,118)	(2,090,135)	(10,540,084)
Other financing sources (uses):					
Sale of assets	-	-	-	314,977	314,977
Net changes in fund balances	4,260,518	(11,471,349)	(1,239,118)	(1,775,158)	(10,225,107)
Fund balances beginning	19,336,932	40,898,932	6,278,428	4,568,878	71,083,170
Prior period adjustment	-	-	-	(130,356)	(130,356)
Net position beginning as adjusted	19,336,932	40,898,932	6,278,428	4,438,522	70,952,814
Fund balances ending	$ 23,597,450	$ 29,427,583	$ 5,039,310	$ 2,663,364	$ 60,727,707

The notes to the financial statements are an integral part of this statement.

San Lorenzo Valley Unified School District
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

Total net change in fund balances - governmental funds		$ (10,225,107)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Additions to capital assets	$ 15,618,892	
Depreciation expense	(2,232,644)	13,386,248
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Repayment of bond principal	4,288,247	
Subscription liabilities	(240,890)	
Subscription principal payments	46,117	4,093,474
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The difference between premiums or discounts recognized in the current period and amortized over future periods is:		220,094
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		1,400,572
In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation earned exceeded the amounts used.		(8,646)
In governmental funds, actual contributions to pension and OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(97,057)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		92,603
Changes in net position of governmental activities		$ 8,862,181

The notes to the financial statements are an integral part of this statement.

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Notes to the Basic Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

San Lorenzo Valley Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The account policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The District does not have any component units and is not a component unit of any reporting entity for the fiscal year ended June 30, 2023.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund of activities. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

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

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus except for agency fund, which have no measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized deferred outflows of resources related to the recognition of the net pension liabilities and total OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District reports certain deferrals related to the District's benefit plans in this category in the government-wide Statement of Net Position.

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund also includes the activities of the District's dependent charter school (number 0025) and the District's Special Reserve Fund for Other Than Capital Outlay Projects. These funds are not substantially composed of restricted or committed revenue sources and does not meet the definition of a special revenue fund. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

The *Building Fund* is used to account for the acquisition and construction of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is used to account for taxes received and expended on interest and the redemption of principal of general obligation bonds.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains one nonmajor special revenue fund:

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains two nonmajor capital projects funds:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act ("CEQA").

- The *County School Facilities Fund* is used primarily to account separately for State apportionments for the construction of school facilities (Education Code Sections 17010.10-170761.)

- The *Special Reserve Fund for Capital Outlay Projects* exists primarily to account for funds set aside for Board designated construction projects.

Fiduciary Funds:

Fiduciary Fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District did not report any Fiduciary Funds as of year end.

F. <u>Budgets and Budgetary Accounting</u>

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

G. Encumbrances

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

H. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

The following summarizes the District's pension plan balances for the fiscal year:

	PERS	STRS	Total
Deferred outflows of resources	$ 4,690,019	$ 4,119,053	$ 8,809,072
Deferred inflows of resources	$ 494,553	$ 3,476,474	$ 3,971,027
Pension expense	$ 1,828,840	$ 2,035,766	$ 3,864,606
Net pension liabilities	$ 13,197,949	$ 14,935,868	$ 28,133,817

I. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense, information about the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports.

For this period, the following time frames were used:

Valuation Date	July 1, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

J. Assets, Liabilities, and Equity

a) Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

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

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

The county is authorized to deposit cash and invest excess funds by California Government Code Section '53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

b) Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

c) Inventories and Prepaid Expenditures

Inventories

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's inventory is valued at a moving average cost and consists of expendable supplies held for consumption.

Prepaid expenditures

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Position.

d) Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized but are expensed as incurred.

Depreciation/amortization on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Assets	Years
Improvement of sites	20
Buildings	50
Building improvements	20
Furniture and fixtures	5-15
Equipment	5-15
Computer equipment	5
Office equipment	5

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the university has determined is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the underlying asset. Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

e) Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

f) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

g) Subscription Based Information Technology Arrangements

The District recognizes subscription liabilities with an initial, individual value of $50,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate in the arrangement. The District's estimated incremental borrowing rate is calculated as described above. The District's estimated incremental borrowing rate is based on its most recent public debt issuance.

h) Fund Balance Policy and Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, of three percent of general fund operating expenditures and other financing uses.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Assignments may be identified by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

- Unassigned includes positive fund balances within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending.

Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

i) Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2023, capital assets net of accumulated depreciation totaling $59,360,817 was increased by unspent bond proceeds of $29,427,583 and reduced by related debt of $60,613,921, which excluded accreted interest of $16,592,016 and premiums attributed to cash reserves for debt service of $4,048,905. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds of $5,039,310 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of $4,048,905.

Educational Program restrictions reflect the amounts to be expended on specific school programs funded by federal and state resources and from locally funded programs with stipulated uses.

Cafeteria Program restrictions reflect the cash balances in the Cafeteria fund that are restricted for food services and child nutrition programs.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

i) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1) and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

j) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District pools its risks with other school districts in the County as a part of two public entity risk pools. The District pays annual premiums for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

The District is also a part of a risk pool which provides medical, dental and vision coverage. The District participates in the Schools Excess Liability Fund (SELF), an insurance purchasing pool. The intent of SELF is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SELF. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all district in SELF. Each participant pays its workers' compensation premium based on its individual rate/ Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A Participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SELF. Participation in SELF is limited to districts that can meet the SELF selection criteria.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2023, the District contracted with Keenan and

Associates Insurance Company for property and liability insurance coverage and theft coverage.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

See Note 11 for further disclosure related to risk management.

k) Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

l) Accounting Estimates

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

m) Eliminations and Reclassifications

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

K. Implemented Accounting Pronouncements

GASB Statement No. 96, *Subscription-based Information Technology Arrangements.*

During the year, the District implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements.* GASB Statement No. 96 is an accounting pronouncement issued by the Governmental Accounting Standards Board (GASB) that provides guidance on how the costs and investments for subscription-based information technology arrangements (SBITAs) are accounted for and disclosed by governmental entities. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. As a result, the District recorded an intangible right of use subscription assets of $240,890 and corresponding subscription liabilities of $240,890. The details of the related assets and liabilities can be found in Notes 4 and 6.

L. Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2023 is as follows:

Description		Carrying Amount		Fair Value
Government-Wide Statements:				
Cash on hand and in banks	$	236,898	$	236,898
Cash in revolving fund		5,000		5,000
Cash with County		62,916,289		62,916,289
Total Cash and Investments	$	63,158,187	$	63,158,187

Cash in Banks and in Revolving Funds

Cash balances in banks and revolving funds are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2023, the bank balances of the District's accounts totaled $254,554 which was fully insured by the FDIC.

Cash with Fiscal Agent

Cash with fiscal agent represents the amount on deposit with Comerica Bank and Bank of New York Mellon Trust Company for the purpose of fulfilling the reserve requirement of the District's Limited Obligation Bond, Series 2007 and for future capital projects.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code Section 41001. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

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

Policies and Practices

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, custodial credit risk - deposits, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Santa Cruz County Investment Pool with a fair value of approximately $665 million and an amortized book value of $691 million.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Santa Cruz's investment pool is not rated, however, the investments within the pool are either not rated or rated as low as AA by A1 - Moody's Investor Services.

Custodial Credit Risk - Deposits

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2023:

Description	General Fund	Building Fund	Nonmajor Funds	Total
Federal	$ 1,537,205	$ -	$ 67,107	$ 1,604,312
State Restricted	1,285,714	-	-	1,285,714
Local	96	611,880	-	611,976
Other Resources	731,870	-	-	731,870
Total Accounts Receivable	$ 3,554,885	$ 611,880	$ 67,107	$ 4,233,872

4. CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2023 were as follows:

Capital Assets	Balance July 01, 2022	Additions	Adjustments/ Deletions	Balance June 30, 2023
Land - not depreciable	$ 2,120,136	$ -	$ -	$ 2,120,136
Work-in-progress - not depreciable	4,381,955	15,140,941	-	19,522,896
Subscription right of use assets	-	240,890	-	240,890
Buildings	66,332,358	148,153	-	66,480,511
Improvements of sites	8,914,197	34,890	-	8,949,087
Equipment	3,658,981	54,018	-	3,712,999
Total capital assets	85,407,627	15,618,892	-	101,026,519
Less accumulated depreciation/amortization for:				
Subscription right of use assets	-	48,178	-	48,178
Buildings	32,964,886	1,739,016	-	34,703,902
Improvements of sites	4,158,857	320,269	-	4,479,126
Equipment	2,309,315	125,181	-	2,434,496
Total accum. depreciation/amortization	39,433,058	2,232,644	-	41,665,702
Total capital assets - net	$ 45,974,569	$ 13,386,248	$ -	$ 59,360,817

Depreciation/amortization expense totaling $2,232,644 was charged to governmental activities as unallocated for the fiscal year ended June 30, 2023.

5. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Balances

Interfund balances consisted of the following as of June 30, 2023:

Fund	Due From Other Funds	Due to Other Funds
General Fund	$ 1,308	$ -
Nonmajor Funds	-	1,308
Totals	$ 1,308	$ 1,308

Interfund Transfers

During the fiscal year ended June 30, 2023, the District did not have interfund transfers.

6. LONG-TERM LIABILITIES

Schedule of Changes in Long-term Liabilities

The following summarizes the District's changes in long-term liabilities for the fiscal year ended June 30, 2023:

Description	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Limited/General Obligation Bonds	$ 85,094,850	$ 2,015,679	$ 6,050,460	$ 81,060,069	$ 2,110,127
Subscription Liabilities	-	240,890	46,117	194,773	47,125
Net Pension Liabilities	17,205,798	16,847,079	5,919,060	28,133,817	-
Total OPEB Liability	2,556,281	516,956	464,622	2,608,615	-
Compensated Absences	78,800	8,646	-	87,446	-
Total Long-term Liabilities	$ 104,935,729	$ 19,629,250	$ 12,480,259	$ 112,084,720	$ 2,157,252

Payments on bonds were made from the Bond Interest and Redemption Fund and Debt Service Fund using local revenues. Compensated absences, pension, and total OPEB liabilities were paid by the fund for which the employee worked. Subscription liabilities are paid from the General Fund.

Limited and General Obligation Bonds Payable

The District has one limited obligation improvement bond and eight general obligation bonds outstanding. The 2002B, 2004, 2008 and 2011 bonds were sold at a premium of $5,044,154. The premiums are amortized using the straight-line method over the life of the related bonds as a reduction to interest expense.

On October 2, 2019, the District issued $4,169,000 of General Obligation Refunding Bonds (Bank Qualified). The bonds bear a fixed interest rate of 1.49% with annual maturities from February 1, 2020 through August 1, 2023. The bonds were issued to refund a portion of the Series 2008 Bonds.

On May 28, 2020, the District issued $25,000,000 in General Obligation Bonds, Election of 2020, Series A, with an interest rate of 4-5% for the purpose of financing the renovation, construction and improvement of school facilities. The net proceeds of $20,744,708 (after payment of $267,500 in issuance costs and premiums of $3,987,792).

On September 17, 2020, the District issued $6,590,000 of General Obligation Refunding Bonds (Bank Qualified). The bonds bear a fixed interest rate of 2.25% with annual maturities from February 1, 2020 through August 1, 2023. The bonds were issued to fully refund the Series B 2008 Bonds.

On May 25, 2022, the District issued $25,000,000 in General Obligation Bonds, Election of 2020, Series B, with an interest rate of 5% for the purpose of financing the renovation, construction and improvement of school facilities. The net proceeds of $24,295,587 (after payment of $234,250 in issuance costs and premiums of $470,163).

The following summarizes the bonds outstanding as of June 30, 2023:

Bond	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2022	Issued	Redeemed	Adjustments	Bonds Outstanding June 30, 2023
2000A	2025	3.10-5.46	8,700,921	1,115,586	-	274,669	-	840,917
2002B	2027	1.40-5.58	3,992,785	1,422,829	-	141,507	-	1,281,322
2004	2029	2.12-5.44	5,805,233	3,854,773	-	301,071	-	3,553,702
2008A	2033	3.00-5.86	13,028,207	3,518,207	-	-	-	3,518,207
2020R	2023	1.49	4,169,000	1,676,000	-	1,106,000	-	570,000
2020A	2051	4.00-5.00	25,000,000	21,635,000	-	2,390,000	-	19,245,000
2021R	2036	2.25	6,590,000	6,485,000	-	75,000	-	6,410,000
2020B	2053	5.00	25,000,000	25,000,000	-	-	-	25,000,000
Subtotal General Obligation Bonds			92,286,146	64,707,395	-	4,288,247	-	60,419,148
Accreted Interest				16,588,619	1,545,516	1,542,119	-	16,592,016
Bond Premiums			5,514,317	3,798,836	-	220,094	470,163	4,048,905
Total General Obligation Bonds				$ 85,094,850	$ 1,545,516	$ 6,050,460	$ 470,163	$ 81,060,069

The annual debt service requirements of the bonds are as follows:

FY Ending June 30,	Principal	Interest	Total
2024	$ 2,110,127	$ 3,635,423	$ 5,745,550
2025	2,054,744	4,563,181	6,617,925
2026	1,287,459	4,796,093	6,083,552
2027	1,274,887	5,013,664	6,288,551
2028	1,257,005	5,266,545	6,523,550
2029-2033	5,735,103	19,665,323	25,400,426
2034-2038	8,429,823	8,834,075	17,263,898
2039-2043	7,870,000	7,515,750	15,385,750
2044-2048	12,910,000	5,438,750	18,348,750
2049-2053	17,490,000	1,896,600	19,386,600
Total Debt Service	$ 60,419,148	$ 66,625,404	$ 127,044,552

Subscription Based Information Technology Agreements (SBITAs)

The following summarizes the terms of SBITAs:

	Escape
Start	7/1/2022
End	6/30/2027
Annual Rate	2.19%
Principal Paid	$ 46,117
Interest Paid	$ 5,266
Lease Amortization	$ 48,178

The following summarizes the subscription right of use assets:

	Escape
Beginning	$ -
Additions	240,890
Deletions	-
Ending	240,890
Accumulated Amortization	(48,178)
Subscription ROA, Net	$ 192,712

The following summarizes the subscription liabilities:

	Escape
Beginning	$ -
Additions	240,890
Principal Paid	(46,117)
Ending	194,773
Due Within One Year	47,125
Due in More Than One Year	$ 147,648

7. CALPERS PENSION PLAN

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.420%	7.420%
Required employer contribution rates	25.370%	25.370%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

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

For the year ended June 30, 2023, the District and state contributions were as follows:

	CalPERS
Contributions - employer	$ 1,571,960

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	**$ 13,197,949**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	CalPERS
Proportion - June 30, 2022	0.03590%
Proportion - June 30, 2023	0.03836%
Change - Increase/(Decrease)	0.00245%

For the year ended June 30, 2023, the District recognized pension expense of $1,828,511 for the Plan.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 976,309	$ -
Differences between Expected and Actual Experience	59,647	328,382
Differences between Projected and Actual Investment Earnings	1,558,319	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	154,381
Change in Employer's Proportion	523,784	11,790
Pension Contributions Made Subsequent to Measurement Date	1,571,960	-
Total	$ 4,690,019	$ 494,553

The District reported $1,571,960 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2024	$ 612,750
2025	594,465
2026	466,083
2027	950,208
2028	-
Thereafter	-
Total	$ 2,623,506

Actuarial Assumptions - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 6.90% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 6.90%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long- term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.3% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS
1% Decrease	5.90%
Net Pension Liability	$ 19,065,105
Current	6.90%
Net Pension Liability	$ 13,197,949
1% Increase	7.90%
Net Pension Liability	$ 8,348,960

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

8. CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS) PENSION PLAN

General Information about the STRS Pension Plan

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

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	19.100%	19.100%
Required State contribution rates	10.828%	10.828%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2023, the District and state contributions were as follows:

	CalSTRS
Employer Contributions	$ 2,528,256
State Contributions	1,199,908
Total	$ 3,728,164

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 14,935,868
State	7,479,883
Total	**$ 22,415,751**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 10.87 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	CalSTRS
Proportion - June 30, 2022	0.02177%
Proportion - June 30, 2023	0.02149%
Change - Increase/(Decrease)	-0.00027%

For the year ended June 30, 2023, the District recognized pension expense of $2,035,766 for the Plan, of which, a total of $1,199,908 came from state contributions.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 740,710	$ -
Differences between Expected and Actual Experience	12,252	1,119,878
Differences between Projected and Actual Investment Earnings	-	730,393
Differences between Employer's Contributions and Proportionate Share of Contributions	1,535	667,536
Change in Employer's Proportion	836,300	958,667
Pension Contributions Made Subsequent to Measurement Date	2,528,256	-
Total	$ 4,119,053	$ 3,476,474

The District reported $2,528,256 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2024	$ (233,692)
2025	(905,189)
2026	(1,193,986)
2027	948,647
2028	(390,808)
Thereafter	(110,649)
Total	$ (1,885,677)

Actuarial Assumptions - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

(1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB
(2) Net of investment expense but gross of administrative expenses.
(3) Based on 110% of the MP-2019 Ultimate Projection

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return (a) (b)
Global Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigation Strategies	10.00%	1.75%
Liquidity	2.00%	-0.35%
Total	100.00%	

(a) Real return is net of assumed 2.75% inflation.
(b) 20-year geometric average.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS
1% Decrease	6.10%
Net Pension Liability	$ 25,366,643
Current	7.10%
Net Pension Liability	$ 14,935,868
1% Increase	8.10%
Net Pension Liability	$ 6,275,188

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District's Postemployment Healthcare Plan (the OPEB plan) is a single employer defined benefit healthcare plan.
Benefits

The District offers medical and prescription drug benefits to its employees and retirees through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. A separate three-tiered rate structure applies to retirees under the age of 65. A choice of 13 medical/prescription drug options are offered to eligible retirees. Delta Dental and VSP Vision are also offered by the District outside of CVT.

Certificated, Classified (SEIU), Certificated Management, Classified Management, and Confidential employees who have attained age 55 and completed at least 15 years of continuous service with the District immediately prior to retirement are eligible to receive District-paid medical, prescription drug, dental and vision coverage for the retiree only up to a District cap of $783 per month, effective October 1, 2016. The cap is frozen and applies to all current and future retirees.

Classified employees who are less than 50% full-time are not eligible for District-paid retiree health benefits under the District retiree health policy. Classified employees who are between 50% and 100% full-time receive a pro-rated portion of the District's contribution upon retirement. Groups other than Classified are required to have been full-time employees in order to receive District-paid benefits.

District-paid benefits continue for 7 years but not beyond age 65. For employees hired after July 1, 2015, benefits continue for up to 5 years only.

Employees Covered by Benefit Terms

At July 1, 2023 (the valuation date), the benefit terms covered the following employees:

Active employees	286
Inactive employees	18
Total employees	304

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total benefit payments included in the measurement period were $139,415. The actuarially determined contribution for the measurement period was $311,904. The District's contributions and benefit payments were 0.65% of payroll during the measurement period June 30, 2023 (reporting period June 30, 2023). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	July 1, 2023
Measurement Date:	June 30, 2023
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	3.86%
Inflation	2.75%
Salary Increases	3.000%
Healthcare Trend Rate	5.00%
Mortality	Generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Discount Rate

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023 (measurement date) and was determined by an actuarial valuation as of July 1, 2023 (valuation date) for the fiscal year ended June 30, 2023 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the total OPEB liability during the year ended June 30, 2023, for the measurement date of June 30, 2023:

Fiscal Year Ended June 30, 2023 (Measurement Date June 30, 2023)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30, 2022	$ 2,556,281	$ -	$ 2,556,281
Service cost	122,329	-	122,329
Interest in Total OPEB Liability	91,755	-	91,755
Balance of diff between actual and exp experience	-	-	-
Balance of changes in assumptions	(22,334)	-	(22,334)
Benefit payments	(139,415)	-	(139,415)
Net changes	52,335	-	52,335
Balance at June 30, 2023	$ 2,608,616	$ -	$ 2,608,616

Covered Employee Payroll	$ 21,564,215
Total OPEB Liability as a % of Covered Employee Payroll	12.10%
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%
Service Cost as a % of Covered Employee Payroll	0.57%
Net OPEB Liability as a % of Covered Employee Payroll	12.10%

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ 218,308	$ -
Change in assumptions	-	84,768
Totals	$ 218,308	$ 84,768

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2024	$	22,391
2025		30,494
2026		23,363
2027		23,363
2028		12,565
Thereafter		21,364
Total	$	133,540

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2023, for the measurement date of June 30, 2023:

Service cost	$	122,329
Interest in TOL		91,755
Difference between actual and expected experience		22,130
Change in assumptions		258
OPEB Expense	**$**	**236,472**

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2023, for the measurement date of June 30, 2023:

Total OPEB liability ending	$	2,608,616
Total OPEB liability beginning		(2,556,281)
Change in total OPEB liability		52,335
Changes in deferred outflows		22,131
Changes in deferred inflows		22,592
Employer contributions and implicit subsidy		139,414
OPEB Expense	**$**	**236,472**

Sensitivity to Changes in the Discount Rate

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	**3.86%**	**(1% Increase)**
Total OPEB Liability	$ 2,745,576	$ 2,608,616	$ 2,482,233

Sensitivity to Changes in the Healthcare Cost Trend Rates

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	**5.00%**	**(1% Increase)**
Total OPEB Liability	$ 2,594,462	$ 2,608,616	$ 2,624,953

10. COMMITMENTS AND CONTINGENCIES

Litigation

Various claims involving the District arise during the normal course of business. However, management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District’s financial position or results of operations.

Federal and State Allowances, Awards and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Commitments

As of June 30, 2023, the District had an open construction contract totaling $18,298,437 with remaining balances of $16,343,561 for two contractors.

11. JOINT POWERS AGREEMENTS

The District participates in several Joint Powers Agreements (JPAs) insurance purchasing pool public entity risk pools. The District's workers' compensation coverage and property and liability coverage is obtained through its membership in the Santa Cruz San Benito County School Insurance Group (SCSBCSIG) and the Southern Peninsula Regional Property and Liability Insurance Group (SPRIG), respectively. The District pays annual premiums to SCSBCSIG and SPRIG. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

The District obtains health, dental and vision insurance coverage through three other JPAs. Medical coverage is obtained through the Self-Insured Schools of California (SISC); dental coverage is obtained through the Santa Cruz County Schools Dental Insurance Group (SCCSDIG); and vision insurance is obtained through the Santa Cruz County Schools Vision Insurance Group (SCCSVIG). The District pays premiums to each of these JPAs monthly. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board.

12. PRIOR PERIOD ADJUSTMENTS

Beginning fund balance and net position were decreased by $130,356 to remove cash with fiscal agents that had been spent during fiscal year 2021-22. In addition, beginning net position was decreased by $470,163 to increase liabilities for premiums received in fiscal year 2021-22.

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REQUIRED SUPPLEMENTARY INFORMATION

San Lorenzo Valley Unified School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
LCFF sources	$ 26,425,933	$ 28,279,903	$ 28,490,735	$ 210,832
Federal revenues	2,060,549	2,293,425	2,219,971	(73,454)
Other state	2,767,403	5,718,577	6,442,928	724,351
Other local	2,354,983	3,850,525	3,889,513	38,988
Total revenues	33,608,868	40,142,430	41,043,147	900,717
Expenditures:				
Current				
Certificated salaries	13,858,596	14,098,584	13,908,246	190,338
Classified salaries	6,322,772	6,393,920	6,197,367	196,553
Employee benefits	9,708,370	9,161,559	8,851,719	309,840
Books and supplies	1,488,110	2,969,612	1,967,867	1,001,745
Services and other operating expenditures	4,289,197	5,320,724	4,600,428	720,296
Capital outlay	150,000	945,429	829,539	115,890
Other outgo	279,000	237,593	376,080	(138,487)
Debt service:				
Principal	-	-	46,117	(46,117)
Interest and fees	-	-	5,266	(5,266)
Total expenditures	36,096,045	39,127,421	36,782,629	2,344,792
Excess (deficiency) of revenues over (under) expenditures	(2,487,177)	1,015,009	4,260,518	3,245,509
Change in fund balance	(2,487,177)	1,015,009	4,260,518	3,245,509
Fund balance beginning	19,336,932	19,336,932	19,336,932	-
Fund balance ending	$ 16,849,755	$ 20,351,941	$ 23,597,450	$ 3,245,509

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

San Lorenzo Valley Unified School District

Schedule of CalPERS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2023

CalPERS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Contractually Required Contributions	$ 448,503	$ 494,119	$ 608,649	$ 699,185	$ 874,252	$ 995,965	$ 1,035,321	$ 1,309,227	$ 1,571,960
Contributions in Relation to Contractually Required Contributions	448,503	494,119	608,649	699,185	874,252	995,965	1,035,321	1,309,227	1,571,960
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 3,810,237**	**$ 4,170,836**	**$ 4,382,553**	**$ 4,501,867**	**$ 4,840,283**	**$ 5,050,276**	**$ 5,001,551**	**$ 5,714,653**	**$ 6,196,137**
Contributions as a % of Covered Payroll	**11.77%**	**11.85%**	**13.89%**	**15.53%**	**18.06%**	**19.72%**	**20.70%**	**22.91%**	**25.37%**

Notes to Schedule:

Valuation Date: June 30, 2021

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.9 Years Remaining Amortization Period
Inflation Assumed at 2.30%
Investment Rate of Returns set at 7.00%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then to 6.90% in FY23.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY23.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.
This schedule presents information on the District’s portion of the net pension liability of CalPERS in compliance with GASB 68.

San Lorenzo Valley Unified School District

Schedule of CalPERS Proportionate Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2023

CalPERS	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's Proportion of Net Pension Liability	0.03720%	0.03692%	0.03648%	0.03501%	0.03491%	0.03575%	0.03599%	0.03590%	0.03836%
Proportionate Share of Net Pension Liability	$ 4,223,106	$ 5,441,923	$ 7,205,430	$ 8,357,811	$ 9,308,105	$ 10,420,527	$ 11,041,305	$ 7,300,468	$ 13,197,949
Covered Payroll	$ 3,904,772	$ 3,810,237	$ 4,170,836	$ 4,382,553	$ 4,501,867	$ 4,840,283	$ 5,050,276	$ 5,001,551	$ 5,714,653
Proportionate Share of NPL as a % of Covered Payroll	**108.15%**	**142.82%**	**172.76%**	**190.71%**	**206.76%**	**215.29%**	**218.63%**	**145.96%**	**230.95%**
Plan's Fiduciary Net Position as a % of the TPL	**83.38%**	**79.43%**	**73.90%**	**71.87%**	**70.85%**	**70.05%**	**70.00%**	**80.97%**	**69.76%**

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then to 6.90% in FY23.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY23.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.
This schedule presents information on the District’s portion of the net pension liability of CalPERS in compliance with GASB 68.

San Lorenzo Valley Unified School District

Schedule of CalSTRS Pension Plan Contributions

For the Fiscal Year Ended June 30, 2023

CalSTRS	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	$ 948,608	$ 1,199,144	$ 1,381,523	$ 1,614,812	$ 1,930,004	$ 2,104,757	$ 1,913,355	$ 2,123,211	$ 2,528,256
Contributions in Relation to Contractually Required Contributions	948,608	1,199,144	1,381,523	1,614,812	1,930,004	2,104,757	1,913,355	2,123,211	2,528,256
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$10,682,523**	**$11,175,620**	**$10,981,900**	**$11,190,658**	**$11,855,061**	**$12,308,520**	**$11,847,399**	**$12,548,528**	**$13,236,942**
Contributions as a % of Covered Payroll	**8.88%**	**10.73%**	**12.58%**	**14.43%**	**16.28%**	**17.10%**	**16.15%**	**16.92%**	**19.10%**

Notes to Schedule:

Valuation Date: June 30, 2021

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.
This schedule provides information about the District’s required and actual contributions to CalSTRS during the year.

San Lorenzo Valley Unified School District

Schedule of CalSTRS Proportionate Share of Net Pension Liability For the Fiscal Year Ended June 30, 2023

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's Proportion of Net Pension Liability	0.02400%	0.02337%	0.02314%	0.02100%	0.02100%	0.02200%	0.02300%	0.02177%	0.02149%
District's Proportionate Share of Net Pension Liability	$ 14,024,880	$ 15,736,222	$ 18,718,762	$ 19,420,590	$ 19,300,470	$ 19,869,520	$ 22,289,070	$ 9,905,330	$ 14,935,868
State's Proportionate Share of Net Pension Liability Associated with the District	8,468,784	8,322,730	10,656,217	11,489,027	11,050,484	10,840,214	11,490,016	4,983,966	7,479,883
	$ 22,493,664	$ 24,058,952	$ 29,374,979	$ 30,909,617	$ 30,350,954	$ 30,709,734	$ 33,779,086	$ 14,889,296	$ 22,415,751
Covered Payroll	$ 10,592,291	$ 10,682,523	$ 11,175,620	$ 10,981,900	$ 11,190,658	$ 11,855,061	$ 12,308,520	$ 11,847,399	$ 12,548,528
Proportionate Share of NPL as a % of Covered Payroll	**132.41%**	**147.31%**	**167.50%**	**176.84%**	**172.47%**	**167.60%**	**181.09%**	**83.61%**	**119.02%**
Plan's Fiduciary Net Position as a % of the TPL	**76.52%**	**74.02%**	**70.04%**	**69.46%**	**70.99%**	**72.56%**	**71.82%**	**87.21%**	**81.20%**

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District’s portion of the net pension liability of CalSTRS in compliance with GASB 68.

San Lorenzo Valley Unified School District
Schedule of Changes in Total OPEB Liability
For the Fiscal Year Ended June 30, 2023

Fiscal Year Ended	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Total OPEB liability						
Service cost	$ 97,465	$ 96,020	$ 106,112	$ 117,397	$ 123,579	$ 122,329
Interest	83,430	88,232	81,778	53,713	51,116	91,755
Differences between expected and actual experience	(22,341)	(21,641)	(87,244)	-	349,941	-
Changes of assumptions	(34,398)	71,560	173,626	-	(215,778)	(22,334)
Benefit payments	(187,620)	(168,780)	(181,356)	(191,478)	(152,061)	(139,415)
Net change in Total OPEB Liability	(63,464)	65,391	92,916	(20,368)	156,797	52,335
Total OPEB Liability - beginning	2,325,009	2,261,545	2,326,936	2,419,852	2,399,484	2,556,281
Total OPEB Liability - ending	$ 2,261,545	$ 2,326,936	$ 2,419,852	$ 2,399,484	$ 2,556,281	$ 2,608,616
Net OPEB liability (asset)	$ 2,261,545	2,326,936	2,419,852	2,399,484	2,556,281	2,608,616
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	$ 16,814,776	$ 17,319,219	$ 18,565,410	$ 17,467,936	$ 16,366,682	$ 16,366,682
Net OPEB liability as a percentage of covered employee payroll	13.45%	13.44%	13.03%	13.74%	15.62%	15.94%
Total OPEB liability as a percentage of covered employee payroll	13.45%	13.44%	13.03%	13.74%	15.62%	15.94%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

The discount rate was increased from 2.2% to 3.69%.

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SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds
Combining Schedules

San Lorenzo Valley Unified School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Fund	Capital Projects Fund				
	Cafeteria Fund	Capital Facilities Fund	County School Facilties Fund	Special Reserve Fund For Capital Outlay Projects	Debt Service Fund	Total Nonmajor Governmental Funds
Assets						
Cash and investments	$ 899,064	$ 267,862	$ 334,257	$ 1,431,297	$ -	$ 2,932,480
Accounts receivable	67,107	-	-	-	-	67,107
Stores inventories	17,698	-	-	-	-	17,698
Total Assets	$ 983,869	$ 267,862	$ 334,257	$ 1,431,297	$ -	$ 3,017,285
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 159,669	$ -	$ 169,218	$ -	$ -	$ 328,887
Unearned revenue	23,726	-	-	-	-	23,726
Total Liabilities	184,703	-	169,218	-	-	353,921
Fund Balances:						
Nonspendable stores inventories	17,698	-	-	-	-	17,698
Restricted for cafeteria programs	781,468	-	-	-	-	781,468
Restricted for capital projects	-	267,862	165,039	-	-	432,901
Assigned for capital projects	-	-	-	1,431,297	-	1,431,297
Total Fund Balances	799,166	267,862	165,039	1,431,297	-	2,663,364
Total Liabilities and Fund Balances	$ 983,869	$ 267,862	$ 334,257	$ 1,431,297	$ -	$ 3,017,285

San Lorenzo Valley Unified School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2023

	Special Revenue Fund	Capital Projects Fund				
	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:						
Federal revenue	$ 457,556	$ -	$ -	$ -	$ -	$ 457,556
Other state	950,850	-	-	-	-	950,850
Other local	69,562	34,079	95,054	12,388	-	211,083
Total revenues	1,477,968	34,079	95,054	12,388	-	1,619,489
Expenditures:						
Current						
Pupil services:						
Food services	1,061,698	-	-	-	-	1,061,698
General administration:				-		
All other general administration	-	9,422	-	-	-	9,422
Plant services	79,217	-	-	60,000	-	139,217
Facilities acquisition and construction	268,477	-	2,164,387	66,423	-	2,499,287
Total expenditures	1,409,392	9,422	2,164,387	126,423	-	3,709,624
Excess (deficiency) of revenues over (under) expenditures	68,576	24,657	(2,069,333)	(114,035)	-	(2,090,135)
Other financing sources (uses):						
Sale of assets	-	-	-	314,977	-	314,977
Total other financing sources (uses)	-	-	-	314,977	-	314,977
Change in fund balances	68,576	24,657	(2,069,333)	200,942	-	(1,775,158)
Fund balances beginning	730,590	243,205	2,234,372	1,230,355	130,356	4,568,878
Restatements to beginning fund balances	-	-	-	-	(130,356)	(130,356)
Fund balances beginning - restated	730,590	243,205	2,234,372	1,230,355	-	4,438,522
Fund balances ending	$ 799,166	$ 267,862	$ 165,039	$ 1,431,297	$ -	$ 2,663,364

San Lorenzo Valley Unified School District
Combining Balance Sheet
General Fund
June 30, 2023

	General Fund	Charter School Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Interfund Eliminations	Total General Fund
Assets					
Cash and investments	$ 18,237,592	$ 1,210,772	$ 5,308,338	$ -	$ 24,756,702
Accounts receivable	3,122,682	432,203	-	-	3,554,885
Due from other funds	20,026	127,421	1,100,000	(1,246,139)	1,308
Total Assets	$ 21,380,300	$ 1,770,396	$ 6,408,338	$ (1,246,139)	$ 28,312,895
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 3,611,017	$ 39,593	$ -	$ -	$ 3,650,610
Accrued salaries and benefits	38,962	-	-	-	38,962
Due to other funds	1,227,421	18,718	-	(1,246,139)	-
Unearned revenue	937,176	88,697	-	-	1,025,873
Total Liabilities	5,814,576	147,008	-	(1,246,139)	4,715,445
Fund balances:					
Nonspendable:					
Revolving fund	5,000	-	-	-	5,000
Restricted for:					
Educational programs	5,896,202	486,703	-	-	6,382,905
Assigned for:					
Deferred maintenance	510,295	-	-	-	510,295
Medi admin account	24,635	-	-	-	24,635
JPA safety fund	39,177	-	-	-	39,177
Unassigned:					
Economic uncertainties	9,090,415	1,136,685	5,466,348	-	15,693,448
Unappropriated	-	-	941,990	-	941,990
Total Fund Balances	15,565,724	1,623,388	6,408,338	-	23,597,450
Total Liabilities and Fund Balances	$ 21,380,300	$ 1,770,396	$ 6,408,338	$ (1,246,139)	$ 28,312,895

San Lorenzo Valley Unified School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

For the Fiscal Year Ended June 30, 2023

	General Fund	Charter School Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Interfund Eliminations	Total General Fund
Revenues:					
Revenue limit sources	$ 25,520,650	$ 2,970,085	$ -	$ -	$ 28,490,735
Federal revenue	2,173,942	46,029	-	-	2,219,971
Other state	5,807,684	635,244	-	-	6,442,928
Other local	3,827,351	31,284	30,878	-	3,889,513
Total revenues	37,329,627	3,682,642	30,878	-	41,043,147
	(37,562,392)				
Expenditures:					
Current					
Instruction	18,054,283	1,921,229	-	-	19,975,512
Instruction-related services:					
Supervision of instruction	1,010,067	12,000	-	-	1,022,067
Instruction library, media and technology	437,390	7,744	-	-	445,134
School site administration	1,672,832	800,657	-	-	2,473,489
Pupil services:					
Home-to-school transportation	1,011,454	-	-	-	1,011,454
Food services	15,901	-	-	-	15,901
All other pupil services	2,662,218	137,737	-	-	2,799,955
General administration:					
Data processing	649,035	28,582	-	-	677,617
All other general administration	2,514,846	124,340	-	-	2,639,186
Plant services	3,600,772	171,189	-	-	3,771,961
Facilities acquisition and construction	797,085	12,869	-	-	809,954
Ancillary services	713,096	-	-	-	713,096
Other outgo	375,920	-	-	-	375,920
Debt service:					
Principal	46,117	-	-	-	46,117
Interest and fees	5,266	-	-	-	5,266
Total expenditures	33,566,282	3,216,347	-	-	36,782,629
Excess (deficiency) of revenues over (under) expenditures	3,763,345	466,295	30,878	-	4,260,518
Other financing sources (uses):					
Transfers in	97,943	-	1,100,000	(1,197,943)	-
Transfers out	(1,100,000)	(97,943)	-	1,197,943	-
Total other financing sources (uses)	(1,002,057)	(97,943)	1,100,000	-	-
Change in fund balances	2,761,288	368,352	1,130,878	-	4,260,518
Fund balances beginning	12,804,436	1,255,036	5,277,460	-	19,336,932
Fund balances ending	$ 15,565,724	$ 1,623,388	$ 6,408,338	$ -	$ 23,597,450

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STATE AND FEDERAL AWARD COMPLIANCE SECTION

The San Lorenzo Valley Unified School District is located in Santa Cruz and encompasses the community generally known as San Lorenzo Valley and its immediate surroundings. There were no changes in the District boundaries during the fiscal year. Election for unification of the District was made on November 8, 1994, effective July 1, 1995. The District currently operates two elementary schools, one middle school, one high school and a dependent charter school.

The Board of Education for the fiscal year ended June 30, 2023, was comprised of the following members:

Governing Board

Name	Office	Term Expires
Mark Becker	President	2026
Stacy Newsom Kerr	Clerk	2026
Gail Levine	Member	2026
Jacqui Rice	Member	2024
Grace Pollak	Member	2024

Administration

Chris Schiermeyer
Superintendent

Julie McCarthy
Assistant Superintendent
Business Services

Jen McRae
Assistant Superintendent
Instructional Services

San Lorenzo Valley Unified School District
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2023

San Lorenzo Valley Unified School District

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	628.47	638.59	628.47	638.59
Grades four through six	407.46	408.83	407.46	408.83
Grades seven and eight	239.04	238.69	239.04	238.69
Grades nine through twelve	583.07	583.49	583.07	583.49
Regular ADA Totals	1,858.04	1,869.60	1,858.04	1,869.60
Extended year special education				
Grades TK/K through three	0.76	0.76	0.76	0.76
Grades four through six	0.15	0.15	0.15	0.15
Extended year special education - nonsectarian schools:				
Grades TK/K through three	0.19	0.30	0.19	0.30
Grades seven and eight	0.31	0.31	0.31	0.31
Grades nine through twelve	5.01	5.08	5.01	5.08
ADA Totals	1,864.46	1,876.20	1,864.46	1,876.20

San Lorenzo Valley Unified School District Charter School

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	52.50	52.50	-	-
Grades four through six	60.60	60.50	24.09	24.17
Grades seven and eight	82.86	84.11	43.69	43.89
Grades nine through twelve	82.63	83.54	-	-
Regular ADA Totals	278.59	280.65	67.78	68.06

San Lorenzo Valley Unified School District
Schedule of Instructional Time Offered
For the Fiscal Year Ended June 30, 2023

San Lorenzo Valley Unified School District

Grade Level	Minutes Requirements	2023 Actual Minutes	Actual Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	51,832	180	0	In Compliance (1)
Grade 1	50,400	52,212	180	0	In Compliance (1)
Grade 2	50,400	52,212	180	0	In Compliance (1)
Grade 3	50,400	52,902	180	0	In Compliance (1)
Grade 4	54,000	57,307	180	0	In Compliance (1)
Grade 5	54,000	57,307	180	0	In Compliance (1)
Grade 6	54,000	54,443	180	0	In Compliance (1)
Grade 7	54,000	54,443	180	0	In Compliance (1)
Grade 8	54,000	54,443	180	0	In Compliance (1)
Grade 9	64,800	64,900	180	0	In Compliance (1)
Grade 10	64,800	64,900	180	0	In Compliance (1)
Grade 11	64,800	64,900	180	0	In Compliance (1)
Grade 12	64,800	64,900	180	0	In Compliance (1)

San Lorenzo Valley Unified School District Charter School (Nature Academy)

Grade Level	Minutes Requirements	2023 Actual Minutes	Actual Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 6	54,000	54,443	180	0	In Compliance (1)
Grade 7	54,000	54,443	180	0	In Compliance (1)
Grade 8	54,000	54,443	180	0	In Compliance (1)

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

San Lorenzo Valley Unified School District
Schedule of Charter Schools (Unaudited)
June 30, 2023

The purpose of this schedule is to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. The District has granted and approved two charter schools, Ocean Grove Charter School and San Lorenzo Valley Unified School District Charter (SLVUSD Charter). The SLVUSD charter is presented within the General Fund in the District/s financial statements and includes activity for:

Charter School	Charter School Number	Included in Audit
San Lorenzo Valley Home School	0025	Yes
Boulder Creek Home School	0025	Yes
San Lorenzo Valley Junior High Home School	0025	Yes
Coast Redwood High School	0025	Yes
Fall Creek Home School	0025	Yes
The Nature Academy School	0025	Yes
Mountain Independent Studies	0025	Yes
Ocean Grove Charter School	0747	No

San Lorenzo Valley Unified School District
Schedule of Financial Trends and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

	(Budget [1]) 2024	2023	2022	2021
General Fund				
Revenues and other financial sources	$ 32,586,212	$ 39,843,239	$ 35,107,314	$ 35,483,331
Expenditures	34,840,387	35,582,721	32,835,979	32,151,039
Other uses and transfers (out)	233,000	-	61,725	131,999
Total outgo	35,073,387	35,582,721	32,897,704	32,283,038
Change in fund balance	$ (2,487,175)	$ 4,260,518	$ 2,209,610	$ 3,200,293
Ending fund balance	$ 21,110,275	$ 23,597,450	$ 19,336,932	$ 17,127,322
Available reserves (2)	$ 8,704,072	$ 16,635,438	$ 15,502,425	$ 9,168,828
Reserve for economic uncertainties	$ 8,704,072	$ 15,693,448	$ 15,502,425	$ 9,168,828
Unassigned fund balance	$ -	$ 941,990	$ -	$ -
Available reserves as a percentage of total outgo	24.8%	46.8%	47.1%	28.4%
Total long-term debt	$ 79,577,821	$ 81,961,686	$ 85,094,850	$ 63,600,431
Average daily attendance (ADA) at P-2	2,013	2,143	2,230	2,195

ADA has decreased by 52 over the past three years. The District anticipates a decrease of 130 in ADA over the next year.

The General Fund balance has increased by $6,470,128 since 2021. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out and other uses (total outgo). The fiscal year 2023/24 budget projects a $2,487,175 decrease in fund balance.

The District has had an operating surplus in three of the past three years. Total long-term debt has increased by $18,964,066 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2023/24.

[2] Available reserves consists of all unassigned fund balances in the General Fund, which includes the reserve for economic uncertainties.

San Lorenzo Valley Unified School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

PROGRAM NAME	Federal Catalog Number		Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF AGRICULTURE:				
Passed through California Department of Education:				
Child Nutrition Cluster				
Child Nutrition - National School Lunch Section 11	10.555		13524	$ 457,556
Supply Chain Assistance (SCA) Funds	10.553		5466	61,532
TOTAL U.S. DEPARTMENT OF AGRICULTURE				519,088
U. S. DEPARTMENT OF EDUCATION:				
Passed through California Department of Education:				
Special Education Cluster (1)				
Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	(1)	15638	229,027
Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	84.027	(1)	15639	12,669
Special Ed: Supporting Inclusive Practices	84.027	(1)	13693	28,333
IDEA Local Assistance, Basic Local Assistance	84.027	(1)	13379	756,294
IDEA Mental Health Average Daily Attendance Allocation, Part B	84.027	(1)	15197	66,784
IDEA Preschool Grants	84.173	(1)	13430	11,745
Total Special Education Cluster				1,104,852
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.010		14329	142,889
NCLB: Title II, Part A, Teacher Quality	84.367		14341	53,687
NCLB: Title III, English Learner Student Program	84.365		14346	8,132
NCLB ESEA (ESSA): Title III, Immigrant Education Program	84.365		15146	4,676
ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	84.424		15396	10,281
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048		14894	15,744
Education Stabilization Fund (ESF)				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	(1)	15547	48
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D	(1)	15559	105,586
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	(1)	10155	277,991
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	(1)	15618	255,842
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	(1)	15619	58,718
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425D	(1)	15620	159,088
TOTAL U. S. DEPARTMENT OF EDUCATION				2,197,534
TOTAL FEDERAL PROGRAMS				$ 2,716,622

(1) Audited as major program

San Lorenzo Valley Unified School District
Reconciliation of Annual Financial and Budget Report (SACS)
to the Audited Financial Statements
For the Fiscal Year Ended June 30, 2023

	General Fund	Charter School Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2023 Annual Financial and Budget Report Fund Balances	$ 15,833,939	$ 1,636,757	$ 6,473,365
Adjustments and Reclassifications:			
To conform with GASB 54, activity included in certain special revenue funds has been reported in the General Fund in the audited financial statements	8,110,122	(1,636,757)	(6,473,365)
GASB 54 reclassifications	(311,160)	-	-
Student Activity Special Revenue Fund:			
Cash and investments	(35,451)	-	-
June 30, 2023 Audited Financial Statements Fund Balances	$ 23,597,450	$ -	$ -

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time/days offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no material unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTNG POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan and Associates, llp
Certified Public Accountants

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

Board of Trustees
San Lorenzo Valley Unified School District
Ben Lomond, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Lorenzo Valley Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 30, 2023
Morgan Hill, California

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Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
San Lorenzo Valley Unified School District
Ben Lomond, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Lorenzo Valley Unified School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major federal programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of San Lorenzo Valley Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal programs. Our audit does not provide a legal determination of San Lorenzo Valley Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

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requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Lorenzo Valley Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about San Lorenzo Valley Unified School District's compliance with the requirements of each major federal programs.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding San Lorenzo Valley Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Lorenzo Valley Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of San Lorenzo Valley Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over

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compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

November 30, 2023
Morgan Hill, California

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Honorable Board of Trustees
San Lorenzo Valley Unified School District
Ben Lomond, California

Report of State Compliance

Opinion

We have audited the San Lorenzo Valley Unified School District (the District)'s compliance with the types of compliance requirements described in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2023.

In our opinion, San Lorenzo Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2023.

Basis for Opinion on State Compliance Requirements

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the San Lorenzo Valley Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of San Lorenzo Valley Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Lorenzo Valley Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the San Lorenzo Valley Unified School District's compliance with the requirements of applicable state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2022-23 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
Home to School Transportation Reimbursement	N/A
Independent Study Certification for ADA Loss Mitigation	N/A
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study Course Based	N/A
Immunizations	N/A
Educator Effectiveness	Yes
Expanded Learning Opportunities	Yes
Career Technical Education Incentive Grant	N/A
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Accordingly, this report is not suitable for any other purpose.

C & A LLP

November 30, 2023
Morgan Hill, California

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FINDINGS AND RECOMMENDATIONS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	___ Yes x No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes x None Reported
Non-compliance material to financial statements noted?	___ Yes x No

Federal Awards

Internal control over major programs:	
Material weaknesses?	___ Yes x No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes x None Reported
Type of auditor's report issued on compliance over major programs	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes x No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
84.027	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement
84.027	Special Ed: ARP IDEA Part B, Sec. 619,
84.027	Special Ed: Supporting Inclusive Practices
84.027	IDEA Local Assistance, Basic Local Assistance
84.027	IDEA Mental Health Average Daily Attendance
84.173	IDEA Preschool Grants
84.425	Education Stabilization Fund (ESF) Subprograms

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low risk auditee?	x Yes ___ No

State Awards

Internal control over state programs:	
Material weaknesses?	___ Yes x No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes x None Reported
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT SANTA CRUZ COUNTY

The Bonds are not a debt of Santa Cruz County (the ***"County"****). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

General Information

The County. The County is the second smallest county by area in California, containing a total of 440 square miles. Two-thirds of the County is considered to be forest land by the U.S. Department of Agriculture. It is located on the Pacific Ocean between the San Francisco Bay Area and the Monterey Peninsula. San Mateo County, which was originally part of Santa Cruz County, borders the County on the north. It is bordered by Santa Clara County on the east and by San Benito and Monterey counties on the south. The County's diverse topography has shaped the County's economy in terms of agricultural uses and tourism. In recent years, the County has experienced growth in service industries and light manufacturing.

The County was incorporated in 1850 as one of the original 27 counties of the State with the City of Santa Cruz as the County seat. It has a general law form of government. A five-member Board of supervisors elected to four-year terms serves as the legislative body. Also elected are the Assessor, Auditor-Controller, County Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner, and Treasurer-Tax Collector. The County Administrative Officer and County Counsel are appointed by the Board of Supervisors.

Population

The following table lists population figures for the County and the cities in the County for the last five calendar years.

COUNTY OF SANTA CRUZ
Population Estimates
(As of January 1)

Jurisdiction	2020	2021	2022	2023	2024
Capitola	9,853	10,024	9,609	9,558	9,497
Santa Cruz	64,731	57,112	62,809	62,929	62,776
Scotts Valley	12,288	12,258	11,943	11,872	11,816
Watsonville	51,776	52,315	51,096	50,820	51,032
Unincorporated	132,213	133,824	129,038	128,159	127,451
County Total	**270,861**	**265,533**	**264,495**	**263,338**	**262,572**

Source: California State Department of Finance, Demographic Research Unit.

Employment and Industry

The District is included in the Santa Cruz-Watsonville Metropolitan Statistical Area ("**MSA**"), which consists of the County. The unemployment rate in Santa Cruz County was 5.8% in July 2024, up from a revised 5.6% in June 2024, and above the year-ago estimate of 4.9%. This compares with an unadjusted unemployment rate of 5.8% for California and 4.5% for the nation during the same period.

The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2019 through 2023.

SANTA CRUZ WATSONVILLE MSA
(Santa Cruz County)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2023 Benchmark)

	2019	2020	2021	2022	2023
Civilian Labor Force (1)	141,200	134,800	132,800	132,700	133,200
Employment	134,200	121,800	123,600	126,200	125,600
Unemployment	7,000	13,100	9,200	6,400	7,600
Unemployment Rate	4.9%	9.7%	6.9%	4.9%	5.7%
Wage and Salary Employment (2)					
Agriculture	8,200	8,000	7,200	7,100	6,700
Mining, Logging and Construction	4,500	4,400	4,800	5,000	5,100
Manufacturing	7,100	6,800	7,500	7,900	7,800
Wholesale Trade	3,400	3,300	3,300	3,500	3,300
Retail Trade	11,700	10,800	11,000	11,000	10,800
Transportation, Warehousing and Utilities	1,700	1,700	2,000	2,200	2,100
Information	600	600	600	600	600
Finance and Insurance	1,900	1,900	1,900	1,900	1,900
Real Estate and Rental and Leasing	1,500	1,300	1,300	1,400	1,400
Professional and Business Services	10,900	10,400	10,600	10,700	9,900
Educational and Health Services	18,000	17,100	17,200	17,700	18,500
Leisure and Hospitality	14,800	10,300	11,800	14,000	14,500
Other Services	5,300	4,400	4,300	4,700	4,700
Federal Government	500	600	500	500	500
State Government	9,000	8,400	7,700	6,300	6,500
Local Government	12,800	12,000	11,900	12,000	12,300
Total, All Industries (3)	111,900	101,800	103,700	106,400	106,500

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Largest Employers

The table below lists the major employers in the County as of September 2024, listed alphabetically, without regard to the number of employees.

COUNTY OF SANTA CRUZ
Major Employers
As of September 2024

Employer Name	Location	Industry
Ameri-Kleen	Watsonville	Services NEC
Audiology Associates	Soquel	Clinics
Cabrillo Sesnon House 1	Aptos	Caterers
Costco Wholesale	Santa Cruz	Wholesale Clubs
Creekside Farms Inc	Watsonville	Farms
Dominican Hospital	Santa Cruz	Hospitals
First Alarm	Aptos	Burglar Alarm Systems (whls)
Granite Construction Co	Watsonville	General Contractors
Granite Construction Inc	Watsonville	Construction-Building Contractors
Graniterock	Watsonville	Asphalt & Asphalt Products
Larse Farms Inc	Watsonville	Fruits & Vegetables-Growers & Shippers
Monterey Mushrooms LLC	Watsonville	Mushrooms
North County Mental Health	Santa Cruz	Government Offices-County
Operations Department	Santa Cruz	Transit Lines
Pajaro Valley Unitied Sch Dist	Watsonville	School Districts
Plantronics Inc	Santa Cruz	Telephone & Telegraph Apparatus (mfrs)
Safeway	Soquel	Grocers-Retail
Salud Para La Gente	Watsonville	Clinics
Santa Cruz County Sheriff	Santa Cruz	Government Offices-County
Santa Cruz Governmental Ctr	Santa Cruz	Government Offices-County
Santa Cruz Health Ctr	Santa Cruz	Clinics
Santa Cruz Metro	Santa Cruz	Bus Lines
Source Naturals	Scotts Valley	Vitamin Products-Manufacturers
University of CA Santa Cruz	Santa Cruz	Schools-Universities & Colleges Academic
Watsonville City Sewer Dept	Watsonville	City Government-Regulation & Administration-C

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 2nd Edition.

Commercial Activity

A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table.

During the first quarter of calendar year 2024, total taxable transactions in the County were reported at $1,072,017,068, representing an 1.89% increase over the total taxable transactions of $1,052,116,643 that were reported in the County during the first quarter of calendar year 2023.

COUNTY OF SANTA CRUZ
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		**Total Outlets**	
Year	Retail Permits on July 1	Taxable Transactions	Total Permits on July 1	Taxable Transactions
2019	6,159	$2,987,680	10,542	$3,980,843
2020	6,397	2,988,564	11,095	3,965,760
2021	5,566	3,433,759	9,801	4,575,986
2022	5,587	3,592,319	10,007	4,846,272
2023	5,264	3,602,839	9,524	4,834,787

Source: State Department of Tax and Fee Administration.

Construction Activity

Provided below are the building permits and valuations for the County, for calendar years 2019 through 2023.

COUNTY OF SANTA CRUZ
Total Building Permit Valuations
For Calendar Years 2019 through 2023
(Valuations in Thousands)

	2019	2020	2021	2022	2023
Permit Valuation					
New Single-family	$47,986.3	$732.4	$54,239.7	$80,812.9	$54,170.6
New Multi-family	27,676.7	0.0	823.8	30,723.4	8,066.4
Res. Alterations/Additions	31,453.2	1,225.4	21,728.8	31,612.9	29,942.5
Total Residential	107,116.2	1,957.8	76,792.3	143,149.2	92,179.5
New Commercial	16,978.8	4,680.6	3,552.4	30,501.0	1,004.4
New Industrial	619.8	0.0	0.0	0.0	0.0
New Other	6,793.4	2,070.0	3,475.9	766.0	37,448.6
Com. Alterations/Additions	41,089.3	7,209.5	17,733.0	4,216.9	48,241.1
Total Nonresidential	65,481.3	13,960.1	24,761.3	35,483.9	86,694.1
New Dwelling Units					
Single Family	215	7	230	362	245
Multiple Family	76	0	15	150	83
TOTAL	291	7	235	512	328

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income and median household effective buying income for the County, the State and the United States for the period 2020 through 2024.

**SANTA CRUZ COUNTY; STATE OF CALIFORNIA;
UNITED STATES
Effective Buying Income
As of January 1, 2020 through 2024**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2020	County of Santa Cruz	$10,376,404	$72,129
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	County of Santa Cruz	$10,995,444	$77,281
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	County of Santa Cruz	$11,965,100	$86,647
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	County of Santa Cruz	$11,567,941	$85,962
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	County of Santa Cruz	$12,571,183	$91,915
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Claritas, LLC.

Transportation

Five major State highways connect the County with adjacent counties. Highway 1 leads along the coast from San Francisco south to the City of Santa Cruz and on to Monterey. Highways 9 and 17 traverse the County from the City of Santa Cruz across the Santa Cruz mountains into Santa Clara County. Watsonville is joined with Santa Clara County by Highway 152 and with San Benito County by Highway 129. Highways 17, 152 and 129 connect with U.S. 101, a major north-south route.

Air cargo and passenger flight services are provided at the San Jose Metropolitan Airport, 32 miles east; Monterey Airport, 43 miles south; San Francisco International Airport, 60 miles northeast; and Watsonville Municipal Airport provides private and executive air transportation facilities.

Bus transportation is provided through the Santa Cruz Metropolitan Transit District for inter-urban and local inter-community service. Greyhound and Peerless Bus Lines provide service to other local areas and additional transcontinental service.

Commercial and passenger rail services are provided by the Southern Pacific and Amtrak lines. Southern Pacific Transportation Company provides freight service for the coastal part of the County and the Watsonville area. Freight transportation is also provided through numerous common and contract carriers.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

[Closing Date]

Board of Trustees
San Lorenzo Valley Unified School District
325 Marion Avenue
Ben Lomond, California 95005

OPINION: $__________ San Lorenzo Valley Unified School District
General Obligation Bonds, Election of 2020, Series C

Members of the Board of Trustees:

We have acted as bond counsel to the San Lorenzo Valley Unified School District (the "District") in connection with the issuance by the District of $_________ principal amount of San Lorenzo Valley Unified School District General Obligation Bonds, Election of 2020, Series C, dated the date hereof (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the District (the "Board") on September 18, 2024 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a unified school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution.

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

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the Board of Supervisors of the County of Santa Cruz is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____________
SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT
(Santa Cruz County, California)
General Obligation Bonds, Election of 2020, Series C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the San Lorenzo Valley Unified School District (the "**District**") in connection with the execution and delivery of the above-captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on September 18, 2024 (the "**Resolution**"). U.S. Bank Trust Company, National Association, is initially acting as paying agent for the Bonds (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District.

"*Dissemination Agent*" means, initially, Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank Trust Company, National Association, or any successor thereto.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2025, with the report for the 2023-24 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 business days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) notice to the MSRB in a timely manner, in an electronic format, as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) The District's adopted Budget;

(ii) Assessed value of taxable property in the jurisdiction of the District as shown on the most recent equalized assessment roll;

(iii) Property tax collection delinquencies for the District, for the most recently completed Fiscal Year, if the District is no longer a participant in Santa Cruz County's Teeter Plan;

(iv) In addition to any of the information expressly required to be provided under paragraphs (i) through (vi), of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

> (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
>
> (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. **<u>Duties, Immunities and Liabilities of Dissemination Agent</u>**.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. **<u>Beneficiaries</u>**. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _______, 2024

SAN LORENZO VALLEY UNIFIED SCHOOL DISTRICT

By: ____________________________
Name:___________________________
Title:____________________________

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity 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. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds 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, Bond 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 District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G

SANTA CRUZ COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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COUNTY OF SANTA CRUZ

2024

INVESTMENT POLICY

Adopted by Board of Supervisors on December 5, 2023

Policy in effect for calendar year 2024

TABLE OF CONTENTS

County of Santa Cruz
STATEMENT OF INVESTMENT POLICY

Under the laws of the State of California, it is the responsibility of the County Treasurer, at the direction of the Board of Supervisors, to secure and protect the public funds of the County and the participants of the Investment Pool, and to establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are deemed temporarily available for investment, in a manner anticipated to provide additional benefit to the people of the County of Santa Cruz. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments, and other financial duties separately. This pooling of public funds eliminates duplication of expenses, smooths out cash flow, permits cost savings through higher volume, and attracts more professional service providers.

This Statement of Investment Policy will be provided annually for the review of the Treasury Oversight Commission and the approval of the Board of Supervisors in an open public meeting.

COUNTY TREASURER

The County Treasurer referred to in the Statement of Investment Policy is the County Auditor-Controller-Treasurer-Tax Collector.

SCOPE

This Statement of Investment Policy pertains to those temporarily excess funds under the control of the Treasurer, designated for the daily ongoing operations of the County and pool participants; and concerns the deposit, maintenance, and safekeeping of all such funds, and the investments made with these funds. This Policy does not apply to pension moneys, deferred compensation funds, trustee, and certain other non-operating funds not participating in the County Investment Pool.

PURPOSE OF POLICY STATEMENT

The purpose of this Statement of Investment Policy is to provide the Board of Supervisors, the Treasury Oversight Commission, those entities invested in the County Investment Pool, those involved in servicing the investment requirements of the County, and any other interested party, a clear understanding of the regulations and internal guidelines that will be observed in maintaining and investing those pooled funds deemed temporarily excess.

TREASURY OBJECTIVES

The primary objective of the Treasurer is to protect the safety of the principal of the County Investment Pool through the judicious purchase of those legal investments permitted to local agencies, as defined in the State of California Government Codes, consistent with current conditions and the other dominant objectives pursuant to managing a local agency portfolio, namely:

Safety: It is the primary responsibility of the Treasurer to maintain the safe return of all principal placed in investments by avoiding decisions that might result in losses through either fraud, default, or adverse market conditions. Import is also accorded the protection of accrued interest earned on any investment instrument.

Liquidity: It is imperative that most investments be in items that are immediately negotiable, as the portfolio is a cash management fund. It shall always be assumed that all investments could require immediate liquidation in order to meet unexpected cash calls.

Availability: Due to the nature of a public funds portfolio, it is mandatory that moneys be available to meet the monetary requirements inherent to operating a public entity. Thus funds need to be invested in such a manner that money will always be available to pay normal cash requirements. A sufficient portion of all funds shall be invested in securities providing a high degree of liquidity and availability, that is, in securities easily sold or converted to cash in a timely manner, with little or no loss of interest earnings.

Yield: While it is considered desirable to obtain a yield commensurate to current market conditions, yield shall not be the driving force in determining which investments are to be selected for purchase. Yield is definitely considered to be of much lesser importance than safety, liquidity or availability.

The Treasurer places investments with the objective of obtaining a yield commensurate to current market conditions, not attempting to maximize yield at the expense of safety, liquidity, or availability, yet not totally ignoring those factors within the marketplace that may be indicative of either favorable or hazardous conditions. The portfolio will be managed very conservatively, but actively enough to avert avoidable losses due to adverse market conditions.

PRUDENCE

The Treasurer is subject to the "Prudent Investor Standard" whenever making a decision regarding the investment of the County′s funds. This rule states in principle:

> *"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."*

The Treasurer, and those acting for the Treasurer, are considered to have a fiduciary, trustee, relationship with the public for the public funds, and all investment decisions will be made in a manner sustaining this responsibility.

DELEGATION OF AUTHORITY

In accordance with Government Code section 27000.1 and County of Santa Cruz Ordinance 2.10.030, the County Treasurer has been delegated the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Pool.

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day-to-day operations. Those staff members, in addition to the Treasurer, currently authorized to act on behalf of the County, as of the date entered on this Policy, are listed below. This list is subject to change, and those parties involved in transactions with the Treasurer's department should always obtain a current Trading Authorization and Agreement form, and be verbally introduced by a known Treasury employee, prior to accepting unconfirmed verbal instructions from any previously unknown Treasury staff member.

Authorized Personnel
Senior Department Administrative Analyst
Investment Officer
Senior Accounting Technician – Treasury Division

Other persons, both inside and outside County employment, may act in the role of assistant or advisor to aid in the timely and proper settlement of investment transactions. While these persons may provide information or aid in the expedient delivery of securities, they may not authorize, approve, or initiate any trading activities. **Only the Treasurer and the persons listed on the current *Trading Authorization and Agreement* may initiate trading activity.**

SECURITIES CUSTODY

The Treasurer has established a third party custody and safekeeping account to which all negotiable instruments shall be delivered upon purchase on a payment versus delivery basis. No negotiable or deliverable securities or investments will be left in the custody of any brokerage firm or issuing party, including any collateral from Repurchase Agreements.

DESIGNATED SERVICE BANK

The Treasurer shall designate a State or Federally chartered bank operating within the State of California to serve as the County's Primary Service Bank. The Treasury shall use this bank as a clearinghouse for all funds.

AUTHORIZED INVESTMENTS AND LIMITATIONS

The Government Codes of the State of California, primarily within sections 53600 et. seq., establish the legality of certain types of investment vehicles for a California local agency's portfolio. Thereby, under no circumstances is the Treasurer permitted to purchase an investment that is not specifically authorized for a local agency under these, or other code sections that may apply, or might later be enacted, pertaining to local agency investments. Investment professionals dealing with the County should possess a complete understanding of these Code sections.

An attached Exhibit A briefly describes the types of securities that are legal within the Government Code sections noted above and outlines the various limitations included in these sections. Excepting the restrictions noted below in this section, all legally permitted investment options described in the Government Code are authorized at this time. Funds placed in the State's Local Agency Investment Fund (LAIF) shall follow the limitations placed on these deposits by the State and may change in accordance with these restrictions.

Though these Government Code sections define the investment types and terms permissible to the Treasurer, **the Treasurer will not:**

- Invest in any security or investment with a stated or potential final maturity longer than five years, unless it contains a non-retractable "put" exercisable within five years. In other words, such a security cannot be purchased by the Treasurer unless it permits the investor the unrestricted choice of selling the security back to the issuer at par, or above, at a time prior to five years.

- Invest in any security or investment wherein, by the terms of the investment, interest might not be earned during any period the security or investment exists.

- Purchase floating rate securities containing an inherent yield structure that could result in a return substantially below rates available for similar maturity periods on the dates the coupon changes.

- Enter into a reverse repurchase agreement.
- Purchase any Collateralized Mortgage Obligations.
- Lend securities.
- Invest in futures or options.

Nothing in the preceding prohibitions is intended to preclude the purchase of authorized investments that are callable.

In addition to the limitations provided in State law and this Statement of Investment Policy, various temporary and more restrictive constraints may at times be beneficial due to transient conditions within the marketplace. These flexible constraints are not part of this Policy but are presented in a document prepared by the Treasurer entitled "Temporary Constraints and Restrictions on Investments", and will change on an "as needed" basis. The attached Exhibit B is the "Temporary Constraints and Restrictions on Investments" that were in effect when the Board of Supervisors approved this policy. When these constraints and restrictions change, a copy will be immediately sent to members of the Treasury Oversight Commission and the Board of Supervisors. These constraints or restrictions may only be ***more*** restrictive than those of the Policy but may ***not*** be less restrictive. Investment professionals should be aware of these temporary conditions in order to save time and best serve the County.

AUTHORIZED DEALER LIST

It is prohibited for a transaction to be entered into with any securities broker, dealer or bank investment department or subsidiary prior to that entity being designated an Authorized Dealer, and placed on the Authorized Dealer List. For a firm to become authorized it must first demonstrate that it will add value to the Treasurer's efforts to best manage the cash portfolio, as well as fulfill certain other minimum requirements. Preference will be given to primary dealers or others who possess a strong capital capacity and willingness to make a market in the various fixed income securities that the County holds. To qualify for Authorized Dealer status, a brokerage firm or bank must be one of the following:

1) Be a dealer operation properly licensed to deal with local agencies in California and have a minimum of $50 million in capital or;

2) Be a Primary Dealer of the Federal Reserve Bank of New York or;

3) Be a department or subsidiary of an insured bank with minimum assets of $500 million that the County has a comprehensive banking relationship with or;

4) Be a broker operation properly licensed to deal with local agencies in California that has capital of not less than $5 million, that is not directly involved in the actual custody, and transfer of money or securities purchased or sold by the County, but that represents established accounts opened in the County name at those firms meeting the requirements of this section,

wherein all dealings would be the responsibility of the dealer operation, and wherein all deliveries, payments, written confirmation, etc. will originate with the qualified dealer operation and are sent directly to the County.

If meeting the above requirements, a salesperson may apply to become an Authorized Dealer by sending to the Treasurer their most recent annual and interim audited financial statements and a letter furnishing:

1) Their reasons for believing they would add value to the present coverage; and,

2) A general roster of those markets they participate in, and specifics on those types of securities they as a firm, regularly issue or regularly hold dealer trading positions in; and,

3) A list of five references, at least three being California local agency treasurers, including telephone numbers and email addresses that the Treasurer or his representative may contact.

The Treasurer will initiate an investigation of the applying salesperson and the firm through various sources, including the Financial Industry Regulatory Authority (FINRA), to determine market participation, knowledge, reputation, and financial stability. All salespeople and their supervisors will be expected to have a working knowledge of the appropriate sections of the State of California Government Code, sufficient experience in covering public entities, a willingness to well serve their customers, a complete and total understanding of this Investment Policy, and demonstrate an ongoing ability to work with the Treasurer and staff. The Treasurer will review all new requests annually, and if the decision is made that additional dealers would be beneficial to best service the portfolio's needs, those dealers selected will be informed of their addition to the Authorized Dealer List. All dealers are subject to removal from the Authorized Dealer List at any time, solely at the discretion of the Treasurer.

The Treasurer, or Treasury staff, are prohibited from dealing with a salesperson, broker, or account executive from any broker, dealer or bank investment department or subsidiary until the Acknowledgment form found on the last page of the *Trading Authorization and Agreement* is signed by all parties and received by the Treasurer. The *Trading and Authorization Agreement* is sent to all approved dealers and is an integral part of this Policy Statement for Broker/Dealers, etc. doing investment business with the County Treasurer or Treasury staff.

Similar restrictions and forms will be required of those firms doing business with the County through retained financial advisors or managers. Certain selected firms may be chosen or appointed by the Treasurer to render specific services the Treasurer determines they are uniquely qualified to provide, wherein some of the requirements of this section may be waived.

Neither the Treasurer, nor any member of the Treasurer's staff, may accept any gift, honoraria, gratuity or service of value in violation of the regulations set forth by the Fair Political Practices Commission, the Government Codes, additional limitations set forth by County ordinance, or internal requirements of the Treasurer. The Treasurer and all members of the Treasury staff are prohibited from conducting any business with any broker, dealer, or securities firm that has made a political contribution within any consecutive 48 month period beginning January 1, 1996, in an amount exceeding the limitation contained in Rule G37 of the Municipal Securities Rulemaking Board, to the County Treasurer or any member of the Board of Supervisors, or any candidate for these offices.

THE COUNTY TREASURY OVERSIGHT COMMISSION

In accordance with Government Code section 27130 et seq. and County Ordinance 4433, there shall be a Treasury Oversight Commission of five members appointed from the following:

a) An appointed representative of the Board of Supervisors.
b) The County Superintendent of Schools, or designee.
c) A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts of the County.
d) A representative selected by a majority of the presiding officers of the legislative bodies of the special districts within the County that are required or authorized to deposit money in the County Investment Pool.
e) A public member who shall have expertise in, or an academic background in, public finance.

Restriction of Members - All members of the Treasury Oversight Commission are restricted as follows:

- A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer; or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the commission.
- A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the commission.
- A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the commission or for one year after leaving the commission.
- Members may not receive honoraria, gifts, gratuities or service of value from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business.

The Treasurer will annually provide a copy of the Investment Policy for review and monitoring by the Treasury Oversight Commission. The Treasurer will provide a report quarterly to the Board of Supervisors and the Treasury Oversight Commission, identifying all investments held in the County Investment Pool, or elsewhere by the Treasurer. The Treasury Oversight Commission shall, via this report and other appropriate means, monitor the activities of the Treasurer, and cause to be performed an annual audit to determine the Treasurer's compliance with this Investment Policy, and other appropriate regulations.

Commission meetings shall be open to the public and in compliance with the appropriate sections of the Ralph M. Brown Act. By Code, all costs related to the duties of the Treasury Oversight Commission will be considered normal charges against earnings of the Investment Pool.

The Treasury Oversight Commission shall have no authority to direct the process or daily operation of any portion of the Treasury department, nor shall the Commission play any role in determining which banks, firms, or individuals the Treasurer does business with, nor shall the Commission be involved in determining which investments the Treasurer purchases, but shall act only to review the actions of the Treasurer to determine that they are in accordance with the Investment Policy and all other legal requirements or regulations.

TERMS FOR FUNDS INVESTED WITH THE COUNTY INVESTMENT POOL

The Government Code requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is held responsible for overseeing, are to be invested. The Treasurer must take into account the current financial condition of the sum total of the Pools' agencies, the conditions of the marketplace, as well as the cash flow projections and the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the Pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all those affected.

Any funds deposited in accounts that are consolidated into the County Investment Pool that are not immediately required to meet cash flows of the Pool will be invested by the Treasurer or the Treasurer's staff. All Pool entities agree that by placing funds in such accounts that they agree to proportionately participate in all investments within the Investment Pool.

FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Investment Pool. Funds will earn interest based on the average daily balance distributed on a monthly basis.

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should state the nature of the funds the legislative body wishes to invest specifically, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to the general Pool participation. Should the Treasurer determine that the request for a specific investment is valid and not overly counter-productive to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution, issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time without specific permission of the Treasurer. Any such investments shall be either terminated and all funds returned to the Pool, or the securities so purchased must be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the investment in the Pool, terminate the investment at the current market value and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

MONEY VOLUNTARILY INVESTED WITH THE COUNTY INVESTMENT POOL

By Code, the County Treasurer shall limit the amounts and set conditions under which money from local agencies, not required to have their funds in the Investment Pool, may deposit and withdraw voluntarily invested funds. Local agencies from outside the County will not be permitted to deposit funds in the County Pool. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, will not be accepted under normal conditions unless the Treasurer is assured that these funds are in lieu of longer-term investments. Such deposits are subject to withdrawal restrictions for a set minimal term as to be agreed to, prior to the funds being accepted into the Pool. Total amount of deposited funds may not be withdrawn at any time without a minimum of thirty days notice of "intent to withdraw."

Before a local agency withdraws monies from the Fund, it must submit a withdrawal request a minimum of 2 working days prior to the desired withdrawal date. Although not encouraged, shorter notice may be honored at the discretion of the County Treasurer's Office if the withdrawal does not cause the Fund to fall out of compliance with its maturity policy or jeopardize its ability to meet cash flow requirements.

Under normal conditions, voluntary money withdrawn from the Pool will be disbursed on a dollar for dollar basis, plus appropriate interest, but under adverse market conditions, when the Treasurer deems the withdrawal of voluntary funds would cause undue losses or significantly lower earnings for those local agencies remaining within the Pool, the Treasurer may require one or more of three remedies:

1) restrict the percentage of funds that may be withdrawn in any given month 2) restrict the rate at which the funds may be withdrawn, or 3) require the local agency withdrawing their funds to accept their funds based on the current market value of the overall Pool.

These terms will be agreed to and contracts signed prior to any voluntary money being accepted into the County Investment Pool. Such terms may exceed minimum requirements set forth in the Government Codes.

Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

POOLING FUNDS AND DISTRIBUTING EARNINGS

Funds available from all sources may be pooled in order to achieve greater investment potential. The earnings from the pooled investments shall be deposited in a dedicated fund. Each month, accrued interest will be distributed to each participant in the Pool proportional to their average daily balance in the pool during the month.

Funds placed in specific investments earn the yield of the investment, not the return earned by the Pool. Earnings on specific investments will be distributed within thirty days of receipt. The Treasury will charge the cost of administration against the earnings of the specific investment.

CALCULATING AND APPORTIONING COSTS

The County Treasurer, following the criteria outlined by the Federal Office of Management and Budget Circular A-87, will determine the "administrative cost" of investing or handling of funds as well as the cost of equipment which expedites processing. This cost shall be deducted prior to interest apportionment and shall be shared proportionately by all pooled and specific investments.

REPORTING

The Treasurer will report to the Board of Supervisors and the Treasury Oversight Commission on a quarterly basis the holdings, status, and earnings of the portfolio. The Statement of Investment Policy will be reviewed by the Treasury Oversight Commission and adopted by the County Board of Supervisors annually. Should circumstances require revision within this Policy during the year, the changes will be presented to the Treasury Oversight Commission, and approval obtained from the Board of Supervisors prior to these alterations being adopted.

The Treasurer reports monthly to the County Board of Supervisors all investment transactions completed in the prior month.

The Auditor reports quarterly to the County Board of Supervisors the results of their regular cash audit of the Treasury.

EXHIBIT A

Allowable Investment Instruments per State Government Code

	INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
A	LOCAL AGENCY BONDS	5 YEARS	NONE	NONE
B	U.S. TREASURY OBLIGATIONS	5 YEARS	NONE	NONE
C	STATE OBLIGATIONS –CA AND OTHERS	5 YEARS	NONE	NONE
D	CA LOCAL AGENCY OBLIGATIONS	5 YEARS	NONE	NONE
E	US AGENCY OBLIGATIONS	5 YEARS	NONE	NONE
F	BANKERS' ACCEPTANCES	180 DAYS	40%	NONE
G	COMMERICAL PAPER (Non-Pooled Funds under $100,000,000 of investments)	270 DAYS	25%	Highest letter and number rating by an NRSRO*
H	COMMERCIAL PAPER (Pooled Funds)	270 DAYS	40%	Highest letter and number rating by an NRSRO*
I	NEGOTIABLE CERTFICATES OF DEPOSIT	5 YEARS	30%	NONE
J	NON-NEGOTIABLE CERTIFICATES OF DEPOSIT	5 YEARS	NONE	NONE
K	PLACEMENT SERVICE DEPOSITS	5 YEARS	50%	NONE
L	PLACEMENT SERVICE CERTIFICATES OF DEPOSIT	5 YEARS	50%	NONE
M	REPURCHASE AGREEMENTS	1 YEAR	NONE	NONE
N	REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS	92 DAYS	20% OF THE BASE VALUE OF THE PORTFOLIO	NONE
O	MEDIUM-TERM NOTES	5 YEARS	30%	"A" Rating
P	MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS	N/A	20%	MULTIPLE
Q	COLLATERALIZED BANK DEPOSITS	5 YEARS	NONE	NONE
R	MORTGAGE PASS-THROUGH SECURITIES	5 YEARS	20%	"AA" RATING

EXHIBIT A

Allowable Investment Instruments per State Government Code

	AND ASSET -BACKED SECURITIES			
S	COUNTY POOLED INVESTMENT FUNDS	N/A	NONE	NONE
T	JOINT POWERS AUTHORITY POOL	N/A	NONE	MULTIPLE
U	LOCAL AGENCY INVESTMENT FUND (LAIF)	N/A	NONE	NONE
V	VOLUNTARY INVESTMENT PROGRAM FUND	N/A	NONE	NONE
W	SUPRANATIONAL OBLIGATIONS	5 YEARS	30%	"AA" RATING
X	PUBLIC BANK OBLIGATIONS	5 YEARS	NONE	NONE

***NRSRO ("Nationally Recognized Statistical Ratings Organization") An NRSRO is a credit rating agency that provides an assessment of the creditworthiness of a firm or financial instrument(s) that is registered and approved by the Securities and Exchange Commission (SEC).**

EXHIBIT B

Temporary Constraints and Restrictions on Santa Cruz County Investments

A. **Bonds issued by the County or County Agencies.** The Treasurer may purchase debt issued by the County or its agencies, but any such debt purchased will normally be obtained only directly from the issuing agency and not in the secondary market. Such issues, along with issues from 'C' and 'D' below, shall not exceed 10% of the total portfolio.

B. **US Treasury obligations.** The Treasurer currently invests in US Treasury obligations. US Treasuries provide the greatest liquidity in the market and should be a preferred investment for their very strong liquidity and high credit quality. There is no limit on the percentage of the portfolio in US Treasuries.

C. **State of California Obligations.** The Treasurer may invest in state obligations, including notes, bonds, or other instruments of the State of California. Interest bearing state issued warrants as an investment alternative are permissible investments. Such issues, along with issues from 'A' and 'D' below, shall not exceed 10% of the total portfolio.

D. **Obligations of another California local agency.** The Treasurer does not currently purchase these securities due to tax considerations, but may purchase taxable issues. The total of such issues, along with issues from 'A' and 'C' above, shall not exceed 10% of the overall portfolio. LAIF investments (see 'U' below) shall not be included when calculating this percentage, nor shall investments in joint powers authority pools (see 'T' below) that resemble money market mutual funds such as CAMP and CALTRUST. Maximum investments in LAIF shall be governed by the maximum permitted by the State. Neither of these limits shall include specific investments or individual local agency's investments of bond proceeds not made through the pool.

E. **Obligations of the various Federal Agencies.** The Treasurer currently does not invest in any long-term pooled securities issued by GNMA, FHLMC, SBA, or any federal agency with a maturity based on average life calculations. Due to the frequent concerns for the safety and liquidity levels of many agency obligations, the Treasurer monitors and may restrict the purchase of any particular agency's securities at any time. No single Government Sponsored Enterprise (GSE) will account for more than 25% of the portfolio at this time. The total of all GSEs may compose 100% of the portfolio. The GSEs referred to above include FHLMC, FNMA, FHLB and FFCB.

F. **Bankers Acceptance.** The Treasurer currently purchases bankers acceptances from those banks rated "AA" or higher by both Moody's and Standard and Poor's rating agencies. Additionally, the Treasurer monitors, and therefore may possibly eliminate those banks whose marketability and liquidity may be considered suspect due to their pricing within the secondary markets. Foreign banks shall be headquartered in certain Western European countries, Canada, or Japan. For additional potential restrictions see section 'AA' below.

EXHIBIT B

G. **Commercial Paper (Non-Pooled Funds under $100,000,000 of investments).** The Treasurer currently does not allow the percent of commercial paper of non-pooled funds under $100,000,000 of investments to exceed 25% of the total portfolio. The Treasurer is currently only purchasing commercial paper with maturities of 90 days or less.

H. **Commercial Paper (Pooled Funds).** The Treasurer currently does not allow the percent of commercial paper of pooled funds under $100,000,000 of investments to exceed 40% of the total portfolio. The Treasurer is currently only purchasing commercial paper with maturities of 90 days or less.

I. **Negotiable Certificates of Deposit (NCD).** The Treasurer currently purchases those types of NCD permitted by the Government Codes only from banks with a long-term rating of "A" and short-term rating of A1 / P1 or better from both Moody's and Standard and Poor's rating agencies. Additionally, the Treasurer monitors, and therefore may possibly eliminate those banks whose marketability and liquidity may be considered suspect due to their pricing within the secondary markets. NCD issued by S&Ls, savings banks and credit unions are not currently purchased. The Treasurer currently is not purchasing NCD with maturities greater than one year.

J. **Non-Negotiable Certificates of Deposit.** The Treasurer may invest in Non-Negotiable Certificates of Deposit. Please see section 'AA' below for additional restrictions on non-negotiable Certificates of Deposit (CD) purchases.

K. **Placement Service Deposits.** The Treasurer may invest or participate in Placement Services. See section 'AA' below for restrictions on time deposits.

L. **Placement Service Certificates of Deposit.** The Treasurer may invest or participate in CD Placement Services. See section 'AA' below for restrictions on time deposits.

M. **Repurchase Agreements.** Repurchase agreements will only be entered into with Primary Dealers, and all collateral will be delivered to a third party designated by the Treasurer, as per state law. Due bills are not acceptable, nor, except in cases of extreme emergency, are substitutions of collateral on agreements under thirty days. The Treasurer will constantly monitor the market value of all collateral and shall require additional collateral if the market value falls to a level of 100% of the cash value invested, when Treasury Notes and Bonds are the collateral, and at higher levels for other types of collateral. Treasury Notes and Bonds will be collateralized at a minimum of 102% of market at the start of the repo, for short-term repos, and possibly at higher levels for longer-term repos, (percentage determined by market conditions, etc.). Repo agreements with Treasury Bills or other discounted securities as collateral will be priced to market and collateralized at a minimum of 102% of market, (actual percentage to be determined by collateral type, conditions, etc.). Collateral with maturities beyond five years are not acceptable, (except in certain limited cases where unrestricted 'puts' are included with the issue), and all collateral must meet the same requirements as purchased securities. Repurchase Agreements will not be entered into for periods longer than ninety days. Repurchase Agreement contracts will be on file for any dealer with which the County does Repos. See section 'S' below for other potential restrictions on Repo collateral.

EXHIBIT B

N. **Reverse Repurchase Agreements and Securities Lending Agreements.** The County Investment Policy does not allow the Treasurer to enter into reverse repurchase agreements, or lend securities.

O. **Medium Term Notes.** The Treasurer currently purchases medium term notes with a rating of "A" or higher from both Moody's and Standard and Poor's rating agencies. See section 'AA' below for additional potential restrictions on medium term notes. Medium term notes shall not exceed 30% of the portfolio.

P. **Mutual Funds and Money Market Mutual Funds.** The Treasurer currently imposes no additional restrictions on mutual fund purchases beyond those in the Codes.

Q. **Collateralized Bank Deposits.** The Treasurer currently imposes no additional restrictions on collateralized bank deposits beyond those in the Codes.

R. **Mortgage Pass-Through Securities and Asset Backed Securities.** The Treasurer does not invest in Mortgage pass-through securities nor in any collateralized mortgage investments. The Treasurer may purchase asset backed commercial paper with a maturity of less than or equal to 90 days and a short term rating of A1 / P1 / F1. The Treasurer currently does not purchase medium term notes issued by structured investment vehicles.

S. **County Pooled Investment Funds.** The Treasurer does not invest in County Pooled Investment Funds.

T. **Joint Powers Authority (JPA) Pool.** Investments in JPA investment funds shall not exceed 25% of the pool's portfolio.

U. **Local Agency Investment Fund (LAIF).** The Treasurer does invest in LAIF up to the current limit determined by the State Treasurer.

V. **Voluntary Investment Program Fund.** Any investment made shall require prior written approval of the Treasurer.

W. **Supranational Obligations.** The Treasurer may purchase United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank eligible for purchase and sale within the United States. The issue shall be rated "AA" or better by an NRSRO* and shall not exceed 30 percent of the portfolio.

X. **Public Bank Obligations.** Any investment made shall require prior written approval of the Treasurer.

EXHIBIT B

AA. **Exposure Limits.** Presently the total exposure to any one issuer, when totaling all types of securities shall not exceed 10% of the total portfolio on date of purchase. Exceptions to this limit shall include US Treasury issues, federal agency or government sponsored enterprise issues, and funds in LAIF. Repurchase agreement collateral shall not be excluded from this calculation unless the repurchase agreement is for 5 business days or less. Exposure to the overall credit of individual foreign countries shall be monitored and maintained at prudent levels.

BB. **Futures and Options.** The County Investment Policy does not allow the Treasurer to invest in futures or options. The purchase of callable securities is permitted.

CC. **Maturities over Three Years.** Any investment made with a maturity exceeding three years shall require prior written approval of the Treasurer. The Treasurer may provide temporary exemptions for specific employees for a period not to exceed one year such that each individual investment shall not require specific approval.

DD. **Calculating Limits.** State law states that all required percentages included within investment related sections of the Government Codes are only binding on the day the investment is made, and that future changes in the size of the portfolio do not require the Treasurer to readjust the total percentage of each security type within the portfolio to reflect the change in size. Neither is it necessary to sell an investment when changes occur such that the security no longer meets the minimum requirements of the Codes or the Codes are changed such as to no longer include certain current holdings. The Treasurer shall weigh the change in risk and determine whether or not a security should be sold within the portfolio after a change in conditions or the Codes result in a particular security no longer meeting existing or new regulations.

*** NRSRO ("Nationally Recognized Statistical Ratings Organization") An NRSRO is a credit rating agency that provides an assessment of the creditworthiness of a firm or financial instrument(s) that is registered and approved by the Securities and Exchange Commission (SEC).**

Santa Cruz County Treasurer's

Quarterly Investment Report

For the Quarter Ended
June 30, 2024

Edith Driscoll
Auditor – Controller – Treasurer - Tax Collector

Table of Contents

MEMBERS AND AUDIT PROCESS

Treasury Oversight Commission - Commissioner List			
Representation:	***Name:***	***Member Status:***	***Title:***
Board of Supervisors	Supervisor Manu Koenig	Voting	*Board of Supervisor - 1st Distrist*
	Supervisor Felipe Hernandez	Alternate	*Board of Supervisor - 4th Distrist*
Superintendent of Schools	Dr. Faris Sabbah	Voting	*County Superintendent of Schools*
	Ms. Liann Reyes*	Alternate	*Deputy Superintendent - Business Services*
Special Districts	Mr. Chuck Farmer**	Voting	*Chief Financial Officer, Santa Cruz METRO*
	Vacant	Vacant	*Vacant*
County School Districts	Mr. Chris Shiermeyer	Voting	*Superintendent, San Lorenzo Valley USD*
	Mr. Jim Monreal	Alternate	*Asst. Superintendent - Business Services*
Public Members	Mr. David Culver	Voting	*Public Member*
	Vacant	*Vacant*	*Vacant*

*** Treasury Oversight Commission Chairperson**

**** Treasury Oversight Commission Vice Chairperson**

The Office of the Santa Cruz County Auditor-Controller-Treasurer-Tax Collector (ACTTC) is included in the County's annual financial audit process. The County's Audit Committee selects an external audit firm to perform the annual audit which includes a review of the internal controls of the County and the ACTTC. Additionally, in compliance with Section 26920 of the Government Code of the State of California, four quarterly audits are performed by the county auditor to review the Treasurer's statement of assets in the county treasury. These audits include manual cash counts, verification of records, and a report to the Board of Supervisors in accordance with the appropriate professional standards, as determined by the ACTTC.

COUNTY OF SANTA CRUZ

EDITH DRISCOLL
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
(831) 454-2500 FAX (831) 454-2660

July 16, 2024

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Subject: **CERTIFICATION OF LIQUIDITY**

Dear Members of the Board:

This report shows the investment activity for the quarter ending June 30, 2024 of pooled funds on deposit with the Treasurer and that it is in compliance with California Government Code Sections 27000 et seq., 53600 et seq., and the County's 2024 Investment Policy.

Attached are summaries of the Portfolio Structure, Investment Details, Securities Activity by Brokers, and other information to provide a better understanding of the investment activity that has occurred through June 30, 2024.

Pursuant to Government Code § 53646(b)(3), I certify that because of the liquidity of the pool and the county's issuance of Teeter Notes and TRANs, the county has the ability to meet the pool's expenditure requirements for the next six months.

Respectfully submitted,

Edith Driscoll

EDITH DRISCOLL
Auditor-Controller-Treasurer-Tax Collector

Santa Cruz County Treasurer's Portfolio
As of June 30, 2024

ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO (5)	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
U.S. Treasuries										
U.S. Trust	14,965,593.75	4,994,225.56	5.42%	5,000,000.00	4,994,200.00	0.36%	100.00%	03/27/24	07/09/24	Aaa/AA+/AAA
U.S.Trust	9,170,222.22	24,952,809.98	5.47%	25,000,000.00	24,952,000.00	1.81%	100.00%	10/10/23	07/15/24	Aaa/AA+/AAA
U.S.Trust	15,000,000.00	29,903,434.46	5.06%	30,000,000.00	29,886,300.00	2.17%	100.00%	12/28/23	08/15/24	Aaa/AA+/AAA
U.S. Trust	15,000,000.00	40,616,236.58	5.37%	41,000,000.00	40,607,630.00	2.95%	100.00%	03/27/24	09/05/24	Aaa/AA+/AAA
U.S. Trust	15,000,000.00	19,738,822.12	5.26%	20,000,000.00	19,726,600.00	1.43%	100.00%	04/03/24	10/15/24	Aaa/AA+/AAA
U.S. Trust	6,284,390.00	26,504,945.91	5.14%	27,000,000.00	26,477,765.11	1.92%	100.00%	04/10/24	01/15/25	Aaa/AA+/AAA
U.S. Trust	4,002,377.78	26,728,727.14	5.13%	27,000,000.00	26,695,917.69	1.94%	100.00%	04/10/24	01/31/25	Aaa/AA+/AAA
U.S. Trust	17,592,561.14	50,901,499.69	5.12%	50,000,000.00	50,895,190.93	3.69%	100.00%	06/27/24	06/30/25	Aaa/AA+/AAA
U.S.Trust	20,000,000.00	19,572,296.81	5.15%	20,000,000.00	19,580,400.00	1.42%	100.00%	09/26/23	08/15/25	Aaa/AA+/AAA
U.S.Trust	9,123,316.67	13,727,650.69	5.01%	15,000,000.00	13,795,350.00	1.00%	100.00%	10/18/23	08/31/26	Aaa/AA+/NA
U.S.Trust	15,000,000.00	30,373,853.35	4.04%	30,000,000.00	29,973,000.00	2.20%	100.00%	12/28/23	10/15/26	Aaa/AA+/NA
U.S.Trust	6,284,390.00	19,072,743.97	4.39%	20,000,000.00	18,990,600.00	1.38%	100.00%	12/12/23	07/01/27	Aaa/AA+/NA
U.S.Trust	2,706,569.00	19,269,120.49	4.39%	20,000,000.00	19,187,600.00	1.40%	100.00%	12/12/23	08/31/27	Aaa/AA+/NA
U.S.Trust	13,090,641.67	17,786,693.37	4.33%	20,000,000.00	17,693,800.00	1.29%	100.00%	12/12/23	06/30/28	Aaa/AA+/NA
U.S. Trust	20,000,000.00	17,924,308.36	4.03%	20,000,000.00	17,636,000.00	1.30%	100.00%	01/31/24	10/31/28	Aaa/AA+/NA
U.S. Trust	17,794,505.49	14,883,246.34	4.02%	15,000,000.00	14,664,655.22	1.08%	100.00%	01/31/24	10/31/28	Aaa/AA+/NA
Total US Treasuries	**201,014,567.72**	**376,950,614.82**	**4.88%**	**385,000,000.00**	**375,757,008.95**	**27.36%**				
U.S. Government Agencies										
Federal Home Loan Bank	17,942,900.00	25,000,000.00	1.05%	25,000,000.00	24,924,750.00	1.81%	100.00%	01/25/22	07/25/24	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	9,123,316.67	20,000,000.00	3.65%	20,000,000.00	19,970,400.00	1.45%	100.00%	07/29/22	07/26/24	Aaa/AA+/AAA
Federal Home Loan Mort. Corp.	4,970,725.00	25,000,000.00	2.63%	25,000,000.00	24,941,250.00	1.81%	100.00%	04/29/22	07/29/24	Aaa/AA+/AAA
Federal Home Loan Mort. Corp.	5,000,507.78	20,000,000.00	3.05%	20,000,000.00	19,914,200.00	1.45%	100.00%	05/26/22	08/26/24	Aaa/AA+/AAA
Federal Farm Credit Bank	2,706,569.00	20,005,515.69	0.32%	20,000,000.00	19,490,200.00	1.45%	100.00%	01/27/21	01/15/25	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	25,000,000.00	20,000,000.00	4.05%	20,000,000.00	19,789,400.00	1.45%	100.00%	08/15/22	08/15/25	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	9,945,250.00	14,987,600.23	0.44%	15,000,000.00	14,176,800.00	1.09%	100.00%	12/22/20	09/23/25	Aaa/AA+/AAA
Federal Home Loan Bank	10,004,713.06	15,000,000.00	1.15%	15,000,000.00	13,793,550.00	1.09%	100.00%	10/28/21	10/28/26	Aaa/AA+/AAA
Fannie Mae	15,000,000.00	4,002,377.78	5.35%	4,000,000.00	3,964,137.78	0.29%	100.00%	06/10/24	06/04/27	Aaa/AA+/AA+
Fannie Mae	10,003,055.56	27,000,000.00	5.26%	27,000,000.00	26,670,060.00	1.96%	100.00%	06/10/24	06/10/27	Aaa/AA+/AA+
Total Government Agencies	**109,697,037.07**	**190,995,493.70**	**2.62%**	**191,000,000.00**	**187,634,747.78**	**13.86%**				
Supranationals										
Int Bank of Recon & Development	10,000,000.00	15,000,000.00	0.63%	15,000,000.00	14,458,950.00	1.09%	30.00%	07/15/21	04/22/25	Aaa/AAA/NA
Int Bank of Recon & Development	1,172,879.19	17,976,121.78	0.60%	18,000,000.00	16,966,260.00	1.30%	30.00%	02/18/21	10/28/25	Aaa/AAA/NA
Internal Bank of Reconstruction an	17,794,505.49	20,000,000.00	4.60%	20,000,000.00	19,611,840.00	1.45%	30.00%	02/16/24	02/16/29	Aaa/AAA/NA
International Bank of Reconstructic	20,000,000.00	25,000,000.00	4.82%	25,000,000.00	25,000,000.00	1.81%	30.00%	04/10/24	03/27/29	Aaa/AAA/NA
Total Supranationals	**48,967,384.68**	**77,976,121.78**	**2.99%**	**78,000,000.00**	**76,037,050.00**	**5.66%**				
Medium Term Notes										
Toyota Motor Corp	10,003,055.56	9,813,043.15	5.14%	10,000,000.00	9,792,000.00	0.71%	30.00%	07/20/23	01/13/25	A1/A+/A+
Microsoft	27,000,000.00	17,554,770.07	2.60%	17,544,000.00	17,255,927.52	1.27%	30.00%	04/06/22	02/12/25	Aaa/AAA/AAA
Bank of America	19,318,260.65	10,000,000.00	2.35%	10,000,000.00	9,723,100.00	0.73%	30.00%	03/10/22	03/10/25	A2/A-/AA-
Intel Corporation	17,794,505.49	9,877,319.62	4.91%	10,000,000.00	9,827,900.00	0.72%	30.00%	07/20/23	07/29/25	A2/A/A-
Toyota Motor Corp	25,000,000.00	29,393,261.23	4.62%	29,705,000.00	29,163,774.90	2.13%	30.00%	01/02/24	08/18/25	A1/A+/A+
Toyota Motor Corp	4,299,555.00	9,511,433.87	4.84%	10,000,000.00	9,453,200.00	0.69%	30.00%	07/17/23	10/16/25	A1/A+/A+
Apple Inc	19,352,581.52	9,431,395.01	4.50%	10,000,000.00	9,338,700.00	0.68%	30.00%	07/17/23	02/08/26	Aaa/AA+/NA
Merck & Co Inc	20,000,000.00	4,987,916.23	0.90%	5,000,000.00	4,668,950.00	0.36%	30.00%	09/24/21	02/24/26	A1/A+/A+
Intel Corporation	29,659,732.88	23,893,891.61	5.25%	25,000,000.00	23,885,611.11	1.73%	30.00%	06/27/24	05/19/26	A3/A-/A-
JP Morgan	14,965,593.75	15,000,000.00	5.25%	15,000,000.00	14,852,100.00	1.09%	30.00%	06/12/26	06/12/26	A1/A-/A
Bank of America	5,000,507.78	10,000,000.00	5.50%	10,000,000.00	9,933,600.00	0.73%	30.00%	03/27/24	03/25/27	A1/A-/AA-
Bank of America	19,318,260.65	10,000,000.00	5.50%	10,000,000.00	10,019,900.00	0.73%	30.00%	04/19/24	04/19/28	A1/A-/AA-
Toyota Motor Corp	17,592,561.14	20,000,000.00	5.00%	20,000,000.00	19,417,460.00	1.45%	30.00%	01/24/24	07/26/28	A1/A+/A+
JP Morgan	15,000,000.00	15,000,000.00	6.00%	15,000,000.00	15,065,850.00	1.09%	30.00%	05/18/23	11/15/28	A1/A-/A
Total Medium Term Notes	**244,304,614.42**	**194,463,030.79**	**4.63%**	**197,249,000.00**	**192,398,073.53**	**14.11%**				

Santa Cruz County Treasurer's Portfolio
As of June 30, 2024

ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO (5)	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
Negotiable CDs										
Swedbank NY	50,000,000.00	50,000,000.00	5.41%	50,000,000.00	49,999,500.00	3.63%	30.00%	02/12/24	07/05/24	P1/A1+/F1
Toronto Dominion	10,004,713.06	25,000,000.00	5.85%	25,000,000.00	25,005,250.00	1.81%	30.00%	03/03/22	08/16/24	P1/A1+/F1
Standard Chartered Bank NY	13,329,092.97	25,000,000.00	6.09%	25,000,000.00	25,017,500.00	1.81%	30.00%	10/03/23	09/03/24	P1/A1+/F1
Toronto Dominion Bank	30,737,564.04	50,000,000.00	5.32%	50,000,000.00	49,955,500.00	3.63%	30.00%	01/03/24	10/02/24	P1/A1+/F1
Standard Chartered Bank	19,106,521.74	30,000,000.00	5.44%	30,000,000.00	30,000,300.00	2.18%	30.00%	06/05/24	02/28/25	P1/A1/F1
Total Negotiable CDs	**123,177,891.81**	**180,000,000.00**	**5.55%**	**180,000,000.00**	**179,978,050.00**	**13.06%**				
Municipal Bonds										
Santa Clara County (GO)	23,886,961.11	2,431,207.72	1.39%	2,430,000.00	2,422,880.10	0.18%	100.00%	03/03/22	08/01/24	NA/AAA/AA+
State of California	13,090,641.67	15,115,948.42	4.15%	15,200,000.00	14,982,184.00	1.10%	100.00%	01/20/23	04/01/25	Aa2/AA-/AA
University of Calif	20,000,000.00	8,779,992.94	0.92%	8,600,000.00	8,420,002.00	0.64%	100.00%	04/01/21	07/01/25	Aa2/AA/AA
Suc Agc City & County San Fran	17,794,505.49	4,264,798.20	1.23%	4,250,000.00	4,083,400.00	0.31%	100.00%	12/15/21	08/01/25	NA/AA/NA
Cabrillo Comm College GO	15,000,000.00	1,198,787.69	3.50%	1,215,000.00	1,177,432.20	0.09%	100.00%	08/25/22	08/01/25	Aa2/AA/NA
HAWAII ST	9,170,222.22	10,000,000.00	0.89%	10,000,000.00	9,204,500.00	0.73%	100.00%	08/20/21	08/01/26	Aa2/AA+/AA
Los Angeles Community College	17,942,900.00	4,992,725.53	1.25%	5,000,000.00	4,628,650.00	0.36%	100.00%	11/15/21	08/01/26	Aaa/AA+/NA
University of Calif	13,329,092.97	6,483,642.19	4.13%	7,000,000.00	6,356,840.00	0.47%	100.00%	05/22/23	05/15/27	Aa2/AA/AA
University of Calif	30,737,564.04	2,788,623.63	3.99%	3,000,000.00	2,724,360.00	0.20%	100.00%	05/18/23	05/15/27	Aa2/AA/AA
State of California	19,106,521.74	13,377,835.37	5.10%	15,000,000.00	13,491,000.00	0.97%	100.00%	05/18/23	02/01/28	Aa2/AA-/AA
Total Municipal Bonds	**180,058,409.24**	**69,433,561.69**	**2.95%**	**71,695,000.00**	**67,491,248.30**	**5.04%**				
Checking (4)										
US Bank Checking	26,364,842.34	26,364,842.34	0.01%	26,364,842.34	26,364,842.34	0.00%	100.00%	NA	NA	NA/NA/NA
Total Checking	**26,364,842.34**	**26,364,842.34**	**0.01%**	**26,364,842.34**	**26,364,842.34**	**0.00%**				
Money Market Funds (3)										
US Bank CDA	9,945,250.00	50,000,000.00	5.27%	50,000,000.00	50,000,000.00	3.63%	20.00%	NA	NA	NA/NA/NA
Bank of the West MMF	4,299,555.00	10,000,000.00	4.79%	10,000,000.00	10,000,000.00	0.73%	100.00%	NA	NA	NA/NA/NA
US Bank	19,352,581.52	0.00	5.28%	0.00	0.00	0.00%	100.00%	NA	NA	NA/NA/NA
Total Money Market Funds	**33,597,386.52**	**60,000,000.00**	**5.19%**	**60,000,000.00**	**60,000,000.00**	**4.35%**				
Miscellaneous Investments										
LAIF (General Fund)	50,898,909.68	10,000.00	4.47%	10,000.00	10,000.00	0.00%	10.00%	NA	NA	NA/NA/NA
CAMP	9,430,824.50	220,000,000.00	5.43%	220,000,000.00	220,000,000.00	15.97%	25.00%	NA	NA	NA/AAAm/NA
TEETER NOTE 2024	8,000,000.00	8,000,000.00	5.40%	8,000,000.00	8,000,000.00	0.58%	100.00%	NA	NA	NA/NA/NA
Total Misc. Investments	**68,329,734.18**	**228,010,000.00**	**5.43%**	**228,010,000.00**	**228,010,000.00**	**16.55%**				
GRAND TOTAL	**$1,035,511,867.98**	**$1,404,193,665.12**	**4.43%**	**$1,417,318,842.34**	**$1,393,671,020.90**	**100%**				

(1) Market Value pricing obtained from US Bank safekeeper (custodial bank)
(2) Split ratings reflect ratings from Moodys, S&P, and Fitch
(3) Money Market Mutual Fund/LAIF balances do not include current month interest
(4) Checking account balances excluded in other reports to focus on investment performance
(5) Percentage calculated based off of Book Value

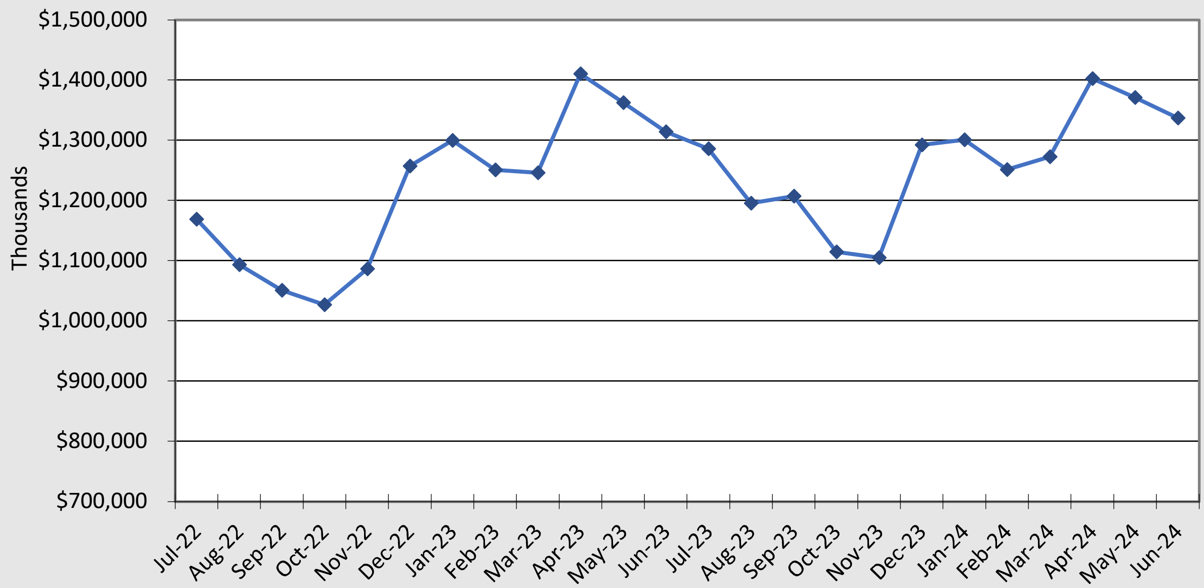
County of Santa Cruz Investment Pool

Portfolio Size and Composition

June 30, 2024

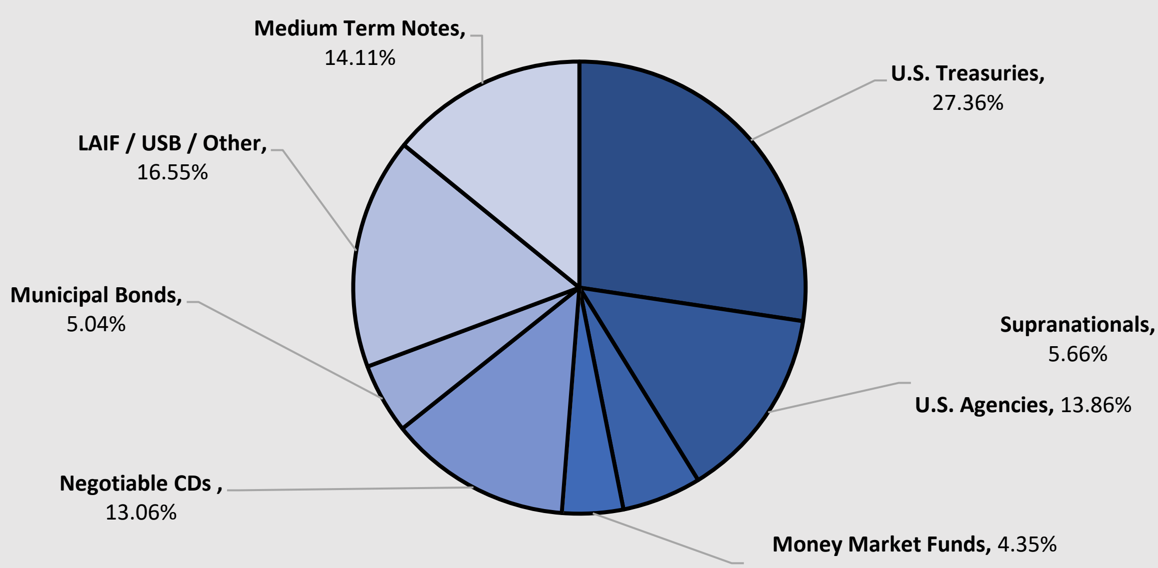
Monthly Portfolio Balance Trend

Historic review of monthly balance trends from July 2022 to June 2024. Two years ago, portfolio balances were approximately $1.17 billion compared to our reported amount of $1.34 billion.



Portfolio Composition

Investment breakdown of the County Investment Pool as of June 2024. U.S Treasury and U.S Agency bonds are approximately 41% of the portfolio. Treasury bonds are one of the safest and most liquid investments in the United States, rated as prime/high investment grade securities.



County of Santa Cruz Investment Pool

Portfolio Net Yield

June 30, 2024

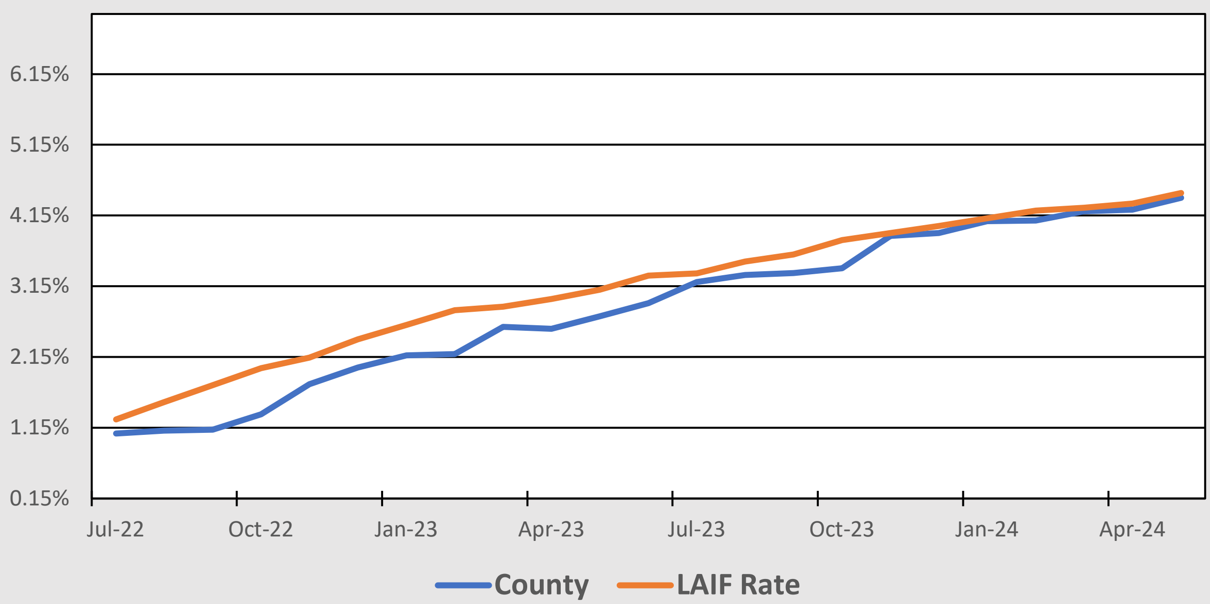
Apportionment Rate History

Current and historic review of the County Investment Pool with our closest benchmark, LAIF (Local Agency Investment Fund) managed by the State of California. As of June 2024, the apportionment rate of the County Investment Pool is a 4.40% yield, versus a 4.47% yield from LAIF.

Date	*County*	*LAIF*	*Difference*
Jun-23	2.72%	3.10%	-0.38%
Jul-23	2.91%	3.30%	-0.39%
Aug-23	3.21%	3.33%	-0.12%
Sep-23	3.31%	3.50%	-0.19%
Oct-23	3.34%	3.60%	-0.26%
Nov-23	3.40%	3.80%	-0.40%
Dec-23	3.86%	3.90%	-0.04%
Jan-24	3.90%	4.00%	-0.10%
Feb-24	4.07%	4.11%	-0.04%
Mar-24	4.08%	4.22%	-0.14%
Apr-24	4.21%	4.26%	-0.05%
May-24	4.23%	4.32%	-0.09%
Jun-24	4.40%	4.47%	-0.07%

Net Yield Trend

Yields are tracked on a monthly basis between the County Investment Pool (blue) and LAIF (orange), our closest benchmark. Participants of LAIF are exclusively California Local Agencies and Special Districts, per section 16429.1 of the CA gov code. LAIF's investment portfolio is over $30 billion.



County of Santa Cruz Investment Pool

Maturity Distribution

June 30, 2024

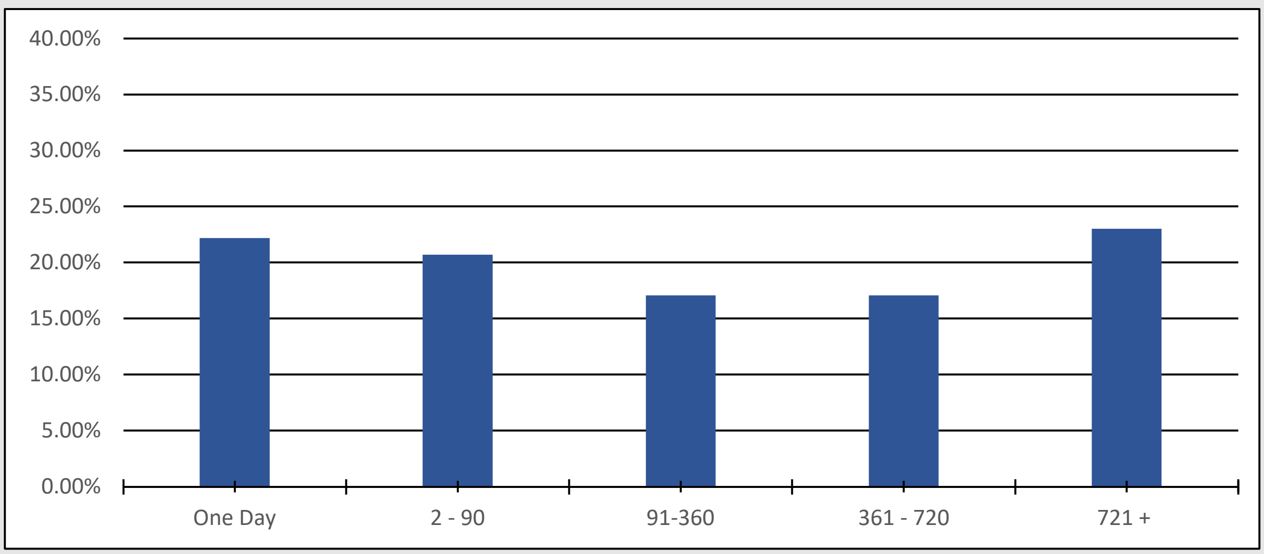
Maturity Classification and Liquidity Review

Investment breakdown based on maturity, as of June 2024. Upon maturity date, the portfolio will receive the investment's face value in cash. These values inherently effect the portfolio's WAM (Weighted Average Maturity) calculated in days, as well as the overall Duration. As of June 30, 2024, the portfolio's average investment takes approximately 425 days to mature.

Category:	*Current Reported Values:*	*Historic Values:* *Last Quarter | Last Year | Last 2 yrs.*		
	June 30, 2024	***3/31/24***	***6/30/23***	***6/30/22***
One Day	22.18%	18.69%	28.29%	11.83%
2 - 90	20.70%	15.16%	21.12%	12.79%
91-360	17.06%	30.04%	28.79%	19.44%
361 - 720	17.06%	15.51%	12.48%	38.58%
721 +	23.00%	20.61%	9.32%	17.36%
WAM	425	421	229	430
Duration	1.18	1.17	0.63	1.15

Portfolio Maturity Distribution

Current allocation of maturities as of June 2024. Most fixed-income investments mature within the age range of 1 - 90 days. The County Investment Pool is currently very liquid, holding around 42.9% of Cash, and Cash-Equivalent securities (bonds and other investments maturing within 90 days).



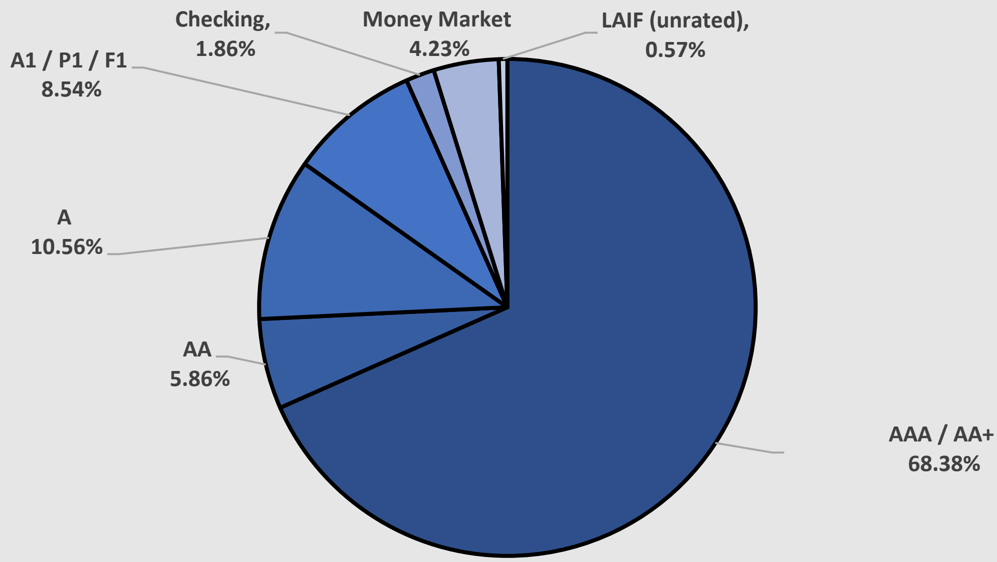
County of Santa Cruz Investment Pool

Credit Quality

June 30, 2024

Credit Rating Composition

Safety is the primary objective within the County Investment Pool, and CA state codes 27000.5 and 53600.5. As of June 2024, 77% of the portfolio is invested in the highest rated securities (AAA for long term, and A1 / P1 / F1 for short term). Counties within the State of California have strict investment standards and can only invest in highly rated, investment grade securities.



Credit Breakdown

Current and historic values based on credit rating and outstanding cash accounts. The State of California's LAIF fund is unrated, but is governed by the same investment restrictions as the County Investment Pool, per CA government codes 16430 and 16480.4.

Rating Category	*Current Reported Values:*		*Historic Values:* Last Quarter | Last Year | Last 2 yrs.		
	June 30, 2024		*3/31/24*	*6/30/23*	*6/30/22*
	$ (mm)	*%*			
AAA / AA+	$ 969	68.38%	61.49%	57.52%	76.74%
AA	$ 83	5.86%	9.13%	7.01%	5.62%
A	$ 150	10.56%	9.57%	1.69%	0.40%
A1 / P1 / F1	$ 121	8.54%	13.11%	5.50%	3.96%
Checking	$ 26	1.86%	2.20%	0.83%	1.19%
Money Market	$ 60	4.23%	4.50%	26.36%	10.44%
LAIF (unrated)	$ 8	0.57%	0.00%	1.10%	1.66%

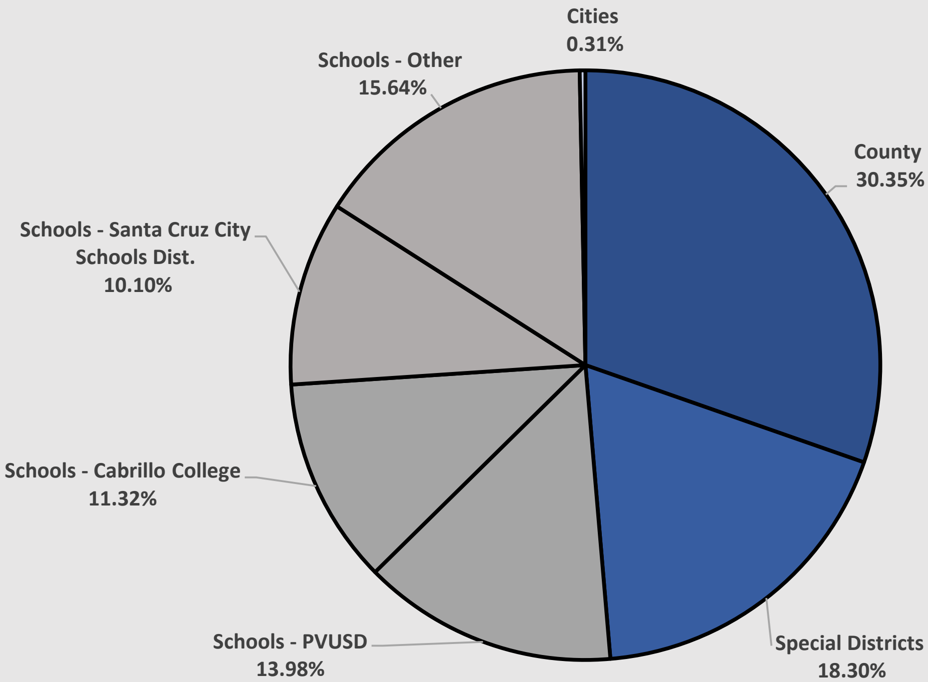
County of Santa Cruz Investment Pool

Source of Funds

June 30, 2024

Source of Funds Composition

The County Investment Pool is composed of four main participants: County School Districts, Special Districts within Santa Cruz County, County Funds, and Cities within Santa Cruz County.



Funds Breakdown

The largest participant with the highest deposited funds is the Schools category. This category holds 51% of the County Investment Pool. The second largest participant is the County category, which consists of around 30% of the County Investment Pool.

Participant Category	***Current Reported Values:***	***Historic Values:*** *Last Quarter | Last Year | Last 2 yrs.*		
	June 30, 2024	***3/31/2024***	***6/30/2023***	***6/30/2022***
County	30.35%	33.47%	30.27%	33.00%
Special Districts	18.30%	18.82%	16.50%	17.89%
Schools	51.04%	47.67%	52.93%	48.75%
Cities	0.31%	0.04%	0.31%	0.36%

DETAILED LIST OF INVESTMENTS OUTSTANDING

As of June 30, 2024

REPORT DESCRIPTION

The **Detailed List of Investments Outstanding** lists active investments in the portfolio on a specific date providing information on the market values, book values, interest rates and yields. It is arranged so that the securities of the same type are grouped together. What follows is a description of the abbreviations used in the report.

CUSIP – The CUSIP number is a 9-character alphanumeric code which identifies a North American financial security for the purposes of facilitating clearing and settlement of trades.

INVESTMENT NUMBER – This is a unique system-generated number assigned to the security. Assigned by the County for internal identification purposes.

ISSUER – The issuer named is the name of the institution which issued the bond.

PURCHASE DATE – This is the date on which the security was purchased.

PAR VALUE – The nominal or face vale of a bond. This is the amount that will be received at maturity with accrued interest. It is also the amount that is used in calculating the interest received on the bond.

MARKET VALUE – Market value is the dollar amount the security could have been sold for on the report date. By comparing this number to the book value one is able to determine what, if any, loss or gain we would realize if we were to sell the bond in the open market.

BOOK VALUE – The original cost for each investment adjusted for amortization of premiums or accretions of discounts to the date of the report. Amortizations and accretions are calculated on a straight line basis.

STATED RATE – In most cases this is the coupon rate (rate of interest) set on a bond at the issue date by the issuer. If the security has no coupon (discount note, UST Bill or CP) then the stated rate is the yield to maturity on the date that the bond is purchased. The stated rate is not intended for comparing yields between different investments because the item may have been purchased at a discount or premium to par.

YTM – This is the Yield to Maturity. This is what the yield will be on the bond if it is held to maturity.

DAYS TO MATURITY – This is the number of days remaining between the report date and the maturity date.

MATURITY DATE – The maturity date is the date when a bond matures. On the maturity date an issuer of a security will pay the holder of the security the par value plus any accrued interest earned on the security from the date of last distribution.

County of Santa Cruz
Portfolio Management
Portfolio Summary
June 30, 2024

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
U.S. Treasury Notes/ Bonds	339,000,000.00	330,155,178.95	331,340,152.68	24.05	753	604	4.747	4.812
Federal Agency Issues - Coupon	191,000,000.00	187,634,747.78	190,995,493.70	13.86	1,113	355	2.586	2.622
Medium Term Notes	197,249,000.00	192,398,073.53	194,463,030.79	14.11	1,043	731	4.570	4.633
Negotiable CDs	180,000,000.00	179,978,050.00	180,000,000.00	13.06	246	83	5.472	5.548
Municipal Bonds	71,695,000.00	67,491,248.30	69,433,561.69	5.04	1,384	695	2.912	2.952
Santa Cruz County Auditor Loan	8,000,000.00	8,000,000.00	8,000,000.00	0.58	3	0	5.330	5.404
Local Agency Investment Fund (LAIF)	10,000.00	10,000.00	10,000.00	0.00	1	1	4.409	4.470
Treasury Discounts -Amortizing	46,000,000.00	45,601,830.00	45,610,462.14	3.31	156	60	5.304	5.377
Supranationals	78,000,000.00	76,037,050.00	77,976,121.78	5.66	1,709	1,157	2.945	2.986
Money Market Mutual Funds 02	280,000,000.00	280,000,000.00	280,000,000.00	20.32	1	1	5.305	5.379
Investments	**1,390,954,000.00**	**1,367,306,178.56**	**1,377,828,822.78**	**100.00%**	**687**	**411**	**4.458**	**4.520**

Total Earnings	June 30 Period Ending	Fiscal Year Ending
Current Year	14,878,051.30	48,441,862.85
Average Daily Balance	**1,371,593,105.39**	
Effective Rate of Return	**4.35%**	

Santa Cruz County Treasurer,

County of Santa Cruz
Portfolio Management
Portfolio Details - Investments
June 30, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
U.S. Treasury Notes/ Bonds												
912828D56	22517	US Treasury N/B		12/28/2023	30,000,000.00	29,886,300.00	29,903,434.46	2.375	4.986	5.055	45	08/15/2024
9128283V0	22533	US Treasury N/B		04/10/2024	27,000,000.00	26,695,917.69	26,728,727.14	2.500	5.054	5.125	214	01/31/2025
91282CFE6	22502	U.S.Trust		09/26/2023	20,000,000.00	19,580,400.00	19,572,296.81	3.125	5.077	5.147	410	08/15/2025
91282CCL3	22505	U.S.Trust		10/10/2023	25,000,000.00	24,952,000.00	24,952,809.98	0.375	5.396	5.471	14	07/15/2024
91282CCW9	22507	U.S.Trust		10/18/2023	15,000,000.00	13,795,350.00	13,727,650.69	0.750	4.936	5.005	791	08/31/2026
91282CFB2	22514	U.S.Trust		12/12/2023	20,000,000.00	18,990,600.00	19,072,743.97	2.750	4.333	4.393	1,125	07/31/2027
91282CFH9	22515	U.S.Trust		12/12/2023	20,000,000.00	19,187,600.00	19,269,120.49	3.125	4.328	4.388	1,156	08/31/2027
91282CCH2	22516	U.S.Trust		12/12/2023	20,000,000.00	17,693,800.00	17,786,693.37	1.250	4.270	4.329	1,460	06/30/2028
91282CJC6	22518	U.S.Trust		12/28/2023	30,000,000.00	29,973,000.00	30,373,853.35	4.625	3.986	4.042	836	10/15/2026
91282CDF5	22522	U.S.Trust		01/31/2024	20,000,000.00	17,636,000.00	17,924,308.36	1.375	3.976	4.031	1,583	10/31/2028
91282CJR3	22523	U.S.Trust		01/31/2024	15,000,000.00	14,664,655.22	14,883,246.34	3.750	3.966	4.021	1,644	12/31/2028
91282CDB4	22530	U.S.Trust		04/03/2024	20,000,000.00	19,726,600.00	19,738,822.12	0.625	5.184	5.256	106	10/15/2024
91282CDS7	22532	U.S.Trust		04/10/2024	27,000,000.00	26,477,765.11	26,504,945.91	1.125	5.066	5.136	198	01/15/2025
91282CHL8	22537	U.S.Trust		06/27/2024	50,000,000.00	50,895,190.93	50,901,499.69	4.625	5.045	5.115	364	06/30/2025
		Subtotal and Average	**293,136,768.67**		**339,000,000.00**	**330,155,178.95**	**331,340,152.68**		**4.747**	**4.812**	**604**	
Federal Agency Issues - Coupon												
3133EMNF5	22399	Federal Farm Credit Bank		01/27/2021	20,000,000.00	19,490,200.00	20,005,515.69	0.375	0.319	0.323	198	01/15/2025
3130APGN9	22427	Federal Home Loan Bank		10/28/2021	15,000,000.00	13,793,550.00	15,000,000.00	1.150	1.134	1.150	849	10/28/2026
3130AQJ38	22455	Federal Home Loan Bank		01/25/2022	25,000,000.00	24,924,750.00	25,000,000.00	1.050	1.036	1.050	24	07/25/2024
3137EAEX3	22398	Fed.Home Loan Mtg.Corp		12/22/2020	15,000,000.00	14,176,800.00	14,987,600.23	0.375	0.437	0.443	449	09/23/2025
3134GXRF3	22466	Fed.Home Loan Mtg.Corp		04/29/2022	25,000,000.00	24,941,250.00	25,000,000.00	2.625	2.590	2.626	28	07/29/2024
3134GXTA2	22469	Fed.Home Loan Mtg.Corp		05/26/2022	20,000,000.00	19,914,200.00	20,000,000.00	3.050	3.010	3.051	56	08/26/2024
3134GXJ54	22474	Fed.Home Loan Mtg.Corp		07/29/2022	20,000,000.00	19,970,400.00	20,000,000.00	3.650	3.600	3.650	25	07/26/2024
3134GXK94	22475	Fed.Home Loan Mtg.Corp		08/15/2022	20,000,000.00	19,789,400.00	20,000,000.00	4.050	3.995	4.050	410	08/15/2025
3135GATN1	22535	Federal National Mort. Assoc.		06/10/2024	4,000,000.00	3,964,137.78	4,002,377.78	5.350	5.277	5.350	1,068	06/04/2027
3135GATR2	22536	Federal National Mort. Assoc.		06/10/2024	27,000,000.00	26,670,060.00	27,000,000.00	5.260	5.188	5.260	1,074	06/10/2027
		Subtotal and Average	**212,986,544.63**		**191,000,000.00**	**187,634,747.78**	**190,995,493.70**		**2.586**	**2.622**	**355**	
Medium Term Notes												
037833EB2	22493	Apple Inc		07/17/2023	10,000,000.00	9,338,700.00	9,431,395.01	0.700	4.438	4.500	587	02/08/2026
06048WT91	22457	Bank of America		03/10/2022	10,000,000.00	9,723,100.00	10,000,000.00	2.350	2.318	2.350	252	03/10/2025
06055JDV8	22528	Bank of America		03/27/2024	10,000,000.00	9,933,600.00	10,000,000.00	5.500	5.425	5.500	997	03/25/2027
06055JEC9	22529	Bank of America		04/19/2024	10,000,000.00	10,019,900.00	10,000,000.00	5.500	5.425	5.500	1,388	04/19/2028
48130CBC8	22492	Chase Bank		06/12/2023	15,000,000.00	14,852,100.00	15,000,000.00	5.250	5.178	5.250	711	06/12/2026
48130CDD4	22509	Chase Bank		11/15/2023	15,000,000.00	15,065,850.00	15,000,000.00	6.000	5.918	6.000	1,598	11/15/2028

County of Santa Cruz
Portfolio Management
Portfolio Details - Investments
June 30, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Medium Term Notes												
458140AS9	22499	Intel Corporation		07/20/2023	10,000,000.00	9,827,900.00	9,877,319.62	3.700	4.842	4.909	393	07/29/2025
458140AU4	22538	Intel Corporation		06/27/2024	25,000,000.00	23,885,611.11	23,893,891.61	2.600	5.180	5.252	687	05/19/2026
58933YAY1	22425	Merck & Co Inc		09/24/2021	5,000,000.00	4,668,950.00	4,987,916.23	0.750	0.888	0.900	603	02/24/2026
594918BB9	22462	Microsoft Corp		04/06/2022	17,544,000.00	17,255,927.52	17,554,770.07	2.700	2.559	2.595	226	02/12/2025
89236THP3	22495	Toyota Motor Credit Corp		07/17/2023	10,000,000.00	9,453,200.00	9,511,433.87	0.800	4.774	4.840	472	10/16/2025
89236TJT3	22498	Toyota Motor Credit Corp		07/20/2023	10,000,000.00	9,792,000.00	9,813,043.15	1.450	5.065	5.135	196	01/13/2025
89236TKF1	22519	Toyota Motor Credit Corp		01/02/2024	29,705,000.00	29,163,774.90	29,393,261.23	3.650	4.558	4.622	413	08/18/2025
89236TLQ6	22521	Toyota Motor Credit Corp		01/26/2024	20,000,000.00	19,417,460.00	20,000,000.00	5.000	4.932	5.000	1,486	07/26/2028
		Subtotal and Average	**188,663,121.10**		**197,249,000.00**	**192,398,073.53**	**194,463,030.79**		**4.570**	**4.633**	**731**	
Negotiable CDs												
85325VHX1	22503	Standard Charter Ny		10/03/2023	25,000,000.00	25,017,500.00	25,000,000.00	6.010	6.010	6.093	64	09/03/2024
85325VMV9	22534	Standard Chartered		06/05/2024	30,000,000.00	30,000,300.00	30,000,000.00	5.440	5.365	5.440	242	02/28/2025
87019WTN5	22524	Swedbank NY		02/12/2024	50,000,000.00	49,999,500.00	50,000,000.00	5.340	5.340	5.414	4	07/05/2024
89115BKH2	22510	Toronto Dominion Bank		11/14/2023	25,000,000.00	25,005,250.00	25,000,000.00	5.770	5.770	5.850	46	08/16/2024
89115BQV5	22520	Toronto Dominion Bank		01/03/2024	50,000,000.00	49,955,500.00	50,000,000.00	5.250	5.250	5.323	93	10/02/2024
		Subtotal and Average	**168,736,263.74**		**180,000,000.00**	**179,978,050.00**	**180,000,000.00**		**5.472**	**5.548**	**83**	
Municipal Bonds												
127109QB5	22477	Cabrillo Comm College GO		08/25/2022	1,215,000.00	1,177,432.20	1,198,787.69	2.194	3.452	3.500	396	08/01/2025
13063DGB8	22480	State of California		01/20/2023	15,200,000.00	14,982,184.00	15,115,948.42	3.375	4.095	4.152	274	04/01/2025
13063DC48	22504	State of California		10/06/2023	15,000,000.00	13,491,000.00	13,377,835.37	1.700	5.030	5.100	1,310	02/01/2028
419792YR1	22421	HAWAII ST		08/20/2021	10,000,000.00	9,204,500.00	10,000,000.00	0.893	0.881	0.893	761	08/01/2026
54438CYL0	22439	Los Angeles Community College		11/15/2021	5,000,000.00	4,628,650.00	4,992,725.53	1.174	1.229	1.246	761	08/01/2026
801546QU9	22456	COUNTY OF SANTA CLARA		03/03/2022	2,430,000.00	2,422,880.10	2,431,207.72	2.000	1.372	1.391	31	08/01/2024
79770GJB3	22445	Suc Agc City & County San Fran		12/15/2021	4,250,000.00	4,083,400.00	4,264,798.20	1.561	1.214	1.231	396	08/01/2025
91412GU94	22410	University of Calif		04/01/2021	8,600,000.00	8,420,002.00	8,779,992.94	3.063	0.911	0.924	365	07/01/2025
91412HGF4	22489	University of Calif		05/18/2023	3,000,000.00	2,724,360.00	2,788,623.63	1.316	3.939	3.994	1,048	05/15/2027
91412HGF4	22490	University of Calif		05/22/2023	7,000,000.00	6,356,840.00	6,483,642.19	1.316	4.071	4.127	1,048	05/15/2027
		Subtotal and Average	**69,356,156.81**		**71,695,000.00**	**67,491,248.30**	**69,433,561.69**		**2.912**	**2.952**	**695**	
Santa Cruz County Auditor Loan												
SYS7013	7013	Santa Cruz County Auditor		06/28/2024	8,000,000.00	8,000,000.00	8,000,000.00	5.330	5.330	5.404	0	07/01/2024
		Subtotal and Average	**263,736.26**		**8,000,000.00**	**8,000,000.00**	**8,000,000.00**		**5.330**	**5.404**	**0**	

County of Santa Cruz
Portfolio Management
Portfolio Details - Investments
June 30, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Local Agency Investment Fund (LAIF)												
SYS6501	6501	LAIF (General Fund)			10,000.00	10,000.00	10,000.00	4.470	4.409	4.470	1	
		Subtotal and Average	**10,090.09**		**10,000.00**	**10,000.00**	**10,000.00**		**4.409**	**4.470**	**1**	
Dividends												
SYS22423	22423	US Bank			0.00	0.00	0.00	5.210	5.210	5.282	1	
		Subtotal and Average	**89.41**		**0.00**	**0.00**	**0.00**		**0.000**	**0.000**	**0**	
Treasury Discounts -Amortizing												
912797KN6	22526	U.S. Treasury Bill		03/27/2024	5,000,000.00	4,994,200.00	4,994,225.56	5.197	5.349	5.424	8	07/09/2024
912797GL5	22527	U.S. Treasury Bill		03/27/2024	41,000,000.00	40,607,630.00	40,616,236.58	5.106	5.298	5.372	66	09/05/2024
		Subtotal and Average	**76,057,929.40**		**46,000,000.00**	**45,601,830.00**	**45,610,462.14**		**5.304**	**5.377**	**60**	
Supranationals												
459058JL8	22404	Int Bank of Recon & Developmen		02/18/2021	18,000,000.00	16,966,260.00	17,976,121.78	0.500	0.593	0.602	484	10/28/2025
459058JB0	22420	Int Bank of Recon & Developmen		07/15/2021	15,000,000.00	14,458,950.00	15,000,000.00	0.625	0.616	0.625	295	04/22/2025
45906M4W8	22525	Int Bank of Recon & Developmen		02/16/2024	20,000,000.00	19,611,840.00	20,000,000.00	4.600	4.538	4.601	1,691	02/16/2029
45906M5F4	22531	Int Bank of Recon & Developmen		04/10/2024	25,000,000.00	25,000,000.00	25,000,000.00	4.824	4.758	4.824	1,730	03/27/2029
		Subtotal and Average	**75,501,374.65**		**78,000,000.00**	**76,037,050.00**	**77,976,121.78**		**2.945**	**2.986**	**1,157**	
Money Market Mutual Funds 02												
070731229	1229	Bank of the West		12/07/2022	10,000,000.00	10,000,000.00	10,000,000.00	4.790	4.724	4.790	1	
SYS011119	22302	CAMP		01/11/2019	220,000,000.00	220,000,000.00	220,000,000.00	5.430	5.356	5.430	1	
157 519 832 743	22283	US Bank MMMF		10/23/2018	50,000,000.00	50,000,000.00	50,000,000.00	5.270	5.198	5.270	1	
		Subtotal and Average	**286,881,030.64**		**280,000,000.00**	**280,000,000.00**	**280,000,000.00**		**5.305**	**5.379**	**1**	
		Total and Average	**1,371,593,105.39**		**1,390,954,000.00**	**1,367,306,178.56**	**1,377,828,822.78**		**4.458**	**4.520**	**411**	

County of Santa Cruz
Portfolio Management
Portfolio Details - Cash
June 30, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity
		Average Balance	0.00								0
		Total Cash and Investments	1,371,593,105.39		1,390,954,000.00	1,367,306,178.56	1,377,828,822.78		4.458	4.520	411

Securities Activity By Broker

A Report on the

Investment Transactions by Broker-Dealer
For the Period Indicated

County of Santa Cruz
Activity Report
Sorted By Dealer
April 1, 2024 - June 30, 2024

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Academy Securities									
U.S. Treasury Notes/ Bonds									
91282CDB4	22530	U.S.Trust			0.625	04/03/2024	20,000,000.00	0.00	
91282CDS7	22532	U.S.Trust			1.125	04/10/2024	27,000,000.00	0.00	
9128283V0	22533	US Treasury N/B			2.500	04/10/2024	27,000,000.00	0.00	
91282CHL8	22537	U.S.Trust			4.625	06/27/2024	50,000,000.00	0.00	
	Subtotal and Balance			**125,000,000.00**			**124,000,000.00**	**0.00**	**249,000,000.00**
Federal Agency Issues - Coupon									
3135GAK42	22506	Federal National Mort. Assoc.			5.640	04/16/2024	0.00	25,000,000.00	
	Subtotal and Balance			**25,000,000.00**			**0.00**	**25,000,000.00**	**0.00**
Medium Term Notes									
458140AU4	22538	Intel Corporation			2.600	06/27/2024	25,000,000.00	0.00	
	Subtotal and Balance			**35,000,000.00**			**25,000,000.00**	**0.00**	**60,000,000.00**
Treasury Discounts -Amortizing									
912797HH3	22512	U.S. Treasury Bill			5.151	05/02/2024	0.00	20,000,000.00	
	Subtotal and Balance			**20,000,000.00**			**0.00**	**20,000,000.00**	**0.00**
Supranationals									
	Subtotal and Balance			**20,000,000.00**					**20,000,000.00**
	Dealer Subtotal		**23.653%**	**225,000,000.00**			**149,000,000.00**	**45,000,000.00**	**329,000,000.00**
Dealer: Bank of the West									
Money Market Mutual Funds 02									
070731229	1229	Bank of the West			4.790		140,198.53	140,198.53	
	Subtotal and Balance			**10,000,000.00**			**140,198.53**	**140,198.53**	**10,000,000.00**
	Dealer Subtotal		**0.719%**	**10,000,000.00**			**140,198.53**	**140,198.53**	**10,000,000.00**

Current Rate varies based on security:
- Unless otherwise stated below, Current Rate is equivalent to the security's Coupon Rate (fixed interest paid by issuer)
- **Treasury Discounts** report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- **Money Market / Mutual Funds,** and **Negotiable CDs** report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: CAMP									
Money Market Mutual Funds 02									
SYS011119	22302	CAMP			5.430		539,370,691.89	479,370,691.89	
	Subtotal and Balance			**160,000,000.00**			**539,370,691.89**	**479,370,691.89**	**220,000,000.00**
	Dealer Subtotal		**15.816%**	**160,000,000.00**			**539,370,691.89**	**479,370,691.89**	**220,000,000.00**
Dealer: Cantor, Fitzgeral L.P.									
U.S. Treasury Notes/ Bonds									
912828WJ5	22483	US Treasury N/B			2.500	05/15/2024	0.00	20,000,000.00	
	Subtotal and Balance			**20,000,000.00**			**0.00**	**20,000,000.00**	**0.00**
Federal Agency Issues - Coupon									
3130APYX7	22442	Federal Home Loan Bank			0.800	05/24/2024	0.00	20,000,000.00	
	Subtotal and Balance			**20,000,000.00**			**0.00**	**20,000,000.00**	**0.00**
Medium Term Notes									
06048WV31	22470	Bank of America			3.100	04/29/2024	0.00	10,000,000.00	
	Subtotal and Balance			**35,000,000.00**			**0.00**	**10,000,000.00**	**25,000,000.00**
	Dealer Subtotal		**1.797%**	**75,000,000.00**			**0.00**	**50,000,000.00**	**25,000,000.00**
Dealer: Jeffries & Company, INC									
U.S. Treasury Notes/ Bonds									
91282CCC3	22416	U.S.Trust			0.250	05/15/2024	0.00	15,000,000.00	
	Subtotal and Balance			**35,000,000.00**			**0.00**	**15,000,000.00**	**20,000,000.00**
Federal Agency Issues - Coupon									
	Subtotal and Balance			**15,000,000.00**					**15,000,000.00**
	Dealer Subtotal		**2.516%**	**50,000,000.00**			**0.00**	**15,000,000.00**	**35,000,000.00**
Dealer: Keybanc Capital Mark									
Federal Agency Issues - Coupon									

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- **Treasury Discounts** report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- **Money Market / Mutual Funds,** and **Negotiable CDs** report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
		Subtotal and Balance		**20,000,000.00**					**20,000,000.00**
Medium Term Notes									
		Subtotal and Balance		**10,000,000.00**					**10,000,000.00**
		Dealer Subtotal	**2.157%**	**30,000,000.00**			**0.00**	**0.00**	**30,000,000.00**
Dealer: LAIF (General Fund)									
Local Agency Investment Fund (LAIF)									
SYS6501	6501	LAIF (General Fund)			4.470		112.30	112.30	
		Subtotal and Balance		**10,000.00**			**112.30**	**112.30**	**10,000.00**
		Dealer Subtotal	**0.001%**	**10,000.00**			**112.30**	**112.30**	**10,000.00**
Dealer: Piper Jaffray & Co									
Municipal Bonds									
		Subtotal and Balance		**1,215,000.00**					**1,215,000.00**
		Dealer Subtotal	**0.087%**	**1,215,000.00**			**0.00**	**0.00**	**1,215,000.00**
Dealer: Piper Sandler									
U.S. Treasury Notes/ Bonds									
		Subtotal and Balance		**40,000,000.00**					**40,000,000.00**
Municipal Bonds									
		Subtotal and Balance		**30,200,000.00**					**30,200,000.00**
		Dealer Subtotal	**5.047%**	**70,200,000.00**			**0.00**	**0.00**	**70,200,000.00**
Dealer: Prebon									
Federal Agency Issues - Coupon									
3130A1XJ2	22471	Federal Home Loan Bank			2.875	06/14/2024	0.00	29,270,000.00	
		Subtotal and Balance		**29,270,000.00**			**0.00**	**29,270,000.00**	**0.00**
Negotiable CDs									
87019WSB2	22511	Swedbank NY			5.720	05/08/2024	0.00	25,000,000.00	

Current Rate varies based on security:
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- **Treasury Discounts** report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- **Money Market / Mutual Funds,** and **Negotiable CDs** report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Prebon									
Negotiable CDs									
85325VMV9	22534	Standard Chartered			5.440	06/05/2024	30,000,000.00	0.00	
	Subtotal and Balance			**125,000,000.00**			**30,000,000.00**	**25,000,000.00**	**130,000,000.00**
	Dealer Subtotal		**9.346%**	**154,270,000.00**			**30,000,000.00**	**54,270,000.00**	**130,000,000.00**
Dealer: Royal Bank Canada Capital Mrkt									
U.S. Treasury Notes/ Bonds									
	Subtotal and Balance			**30,000,000.00**					**30,000,000.00**
Federal Agency Issues - Coupon									
	Subtotal and Balance			**45,000,000.00**					**45,000,000.00**
Medium Term Notes									
06048WQ60	22440	Bank of America			1.000	06/03/2024	0.00	20,000,000.00	
	Subtotal and Balance			**20,000,000.00**			**0.00**	**20,000,000.00**	**0.00**
Treasury Discounts -Amortizing									
912797FS1	22508	U.S. Treasury Bill				06/13/2024	0.00	30,000,000.00	
	Subtotal and Balance			**76,000,000.00**			**0.00**	**30,000,000.00**	**46,000,000.00**
Supranationals									
	Subtotal and Balance			**33,000,000.00**					**33,000,000.00**
	Dealer Subtotal		**11.072%**	**204,000,000.00**			**0.00**	**50,000,000.00**	**154,000,000.00**
Dealer: Raymond James Financial Inc									
Federal Agency Issues - Coupon									
3130ARQ46	22464	Federal Home Loan Bank			2.720	05/28/2024	0.00	10,000,000.00	
	Subtotal and Balance			**10,000,000.00**			**0.00**	**10,000,000.00**	**0.00**
Medium Term Notes									
14912L6C0	22465	Caterpillar Financial Services			3.300	06/09/2024	0.00	3,000,000.00	
	Subtotal and Balance			**47,705,000.00**			**0.00**	**3,000,000.00**	**44,705,000.00**

Current Rate varies based on security:
- Unless otherwise stated below, Current Rate is equivalent to the security's Coupon Rate (fixed interest paid by issuer)
- **Treasury Discounts** report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- **Money Market / Mutual Funds,** and **Negotiable CDs** report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Raymond James Financial Inc									
Municipal Bonds									
	Subtotal and Balance			**40,280,000.00**					**40,280,000.00**
Supranationals									
45906M5F4	22531	Int Bank of Recon & Developmen			4.824	04/10/2024	25,000,000.00	0.00	
	Subtotal and Balance			**0.00**			**25,000,000.00**	**0.00**	**25,000,000.00**
	Dealer Subtotal		**7.907%**	**97,985,000.00**			**25,000,000.00**	**13,000,000.00**	**109,985,000.00**
Dealer: SANTA CRUZ COUNTY									
Santa Cruz County Auditor Loan									
SYS7013	7013	Santa Cruz County Auditor			5.330	06/28/2024	8,000,000.00	0.00	
	Subtotal and Balance			**0.00**			**8,000,000.00**	**0.00**	**8,000,000.00**
	Dealer Subtotal		**0.575%**	**0.00**			**8,000,000.00**	**0.00**	**8,000,000.00**
Dealer: Stifel Nicolaus & Co									
Federal Agency Issues - Coupon									
3135GATN1	22535	Federal National Mort. Assoc.			5.350	06/10/2024	4,000,000.00	0.00	
3135GATR2	22536	Federal National Mort. Assoc.			5.260	06/10/2024	27,000,000.00	0.00	
	Subtotal and Balance			**80,000,000.00**			**31,000,000.00**	**0.00**	**111,000,000.00**
Medium Term Notes									
06055JEC9	22529	Bank of America			5.500	04/19/2024	10,000,000.00	0.00	
	Subtotal and Balance			**47,544,000.00**			**10,000,000.00**	**0.00**	**57,544,000.00**
Negotiable CDs									
	Subtotal and Balance			**50,000,000.00**					**50,000,000.00**
	Dealer Subtotal		**15.712%**	**177,544,000.00**			**41,000,000.00**	**0.00**	**218,544,000.00**
Dealer: US Bank MMMF									
Dividends									
SYS22423	22423	US Bank			5.210		8,136.09	8,136.09	

Current Rate varies based on security:
- Unless otherwise stated below, Current Rate is equivalent to the security's Coupon Rate (fixed interest paid by issuer)
- **Treasury Discounts** report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- **Money Market / Mutual Funds,** and **Negotiable CDs** report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
		Subtotal and Balance		**0.00**			**8,136.09**	**8,136.09**	**0.00**
Money Market Mutual Funds 02									
157 519 832 743	22283	US Bank MMMF			5.270		81,143,815.52	81,143,815.52	
		Subtotal and Balance		**50,000,000.00**			**81,143,815.52**	**81,143,815.52**	**50,000,000.00**
		Dealer Subtotal	**3.595%**	**50,000,000.00**			**81,151,951.61**	**81,151,951.61**	**50,000,000.00**
		Total	**100.000%**	**1,305,224,000.00**			**873,662,954.33**	**787,932,954.33**	**1,390,954,000.00**

Current Rate varies based on security:
- Unless otherwise stated below, Current Rate is equivalent to the security's Coupon Rate (fixed interest paid by issuer)
- **Treasury Discounts** report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- **Money Market / Mutual Funds,** and **Negotiable CDs** report the Yield to Maturity (total rate of return if held to maturity)

ACCRUED INTEREST REPORT

As of June 30, 2024

REPORT DESCRIPTION

The **Accrued Interest Report** shows the amount of interest earned, but not yet received, for each active investment within the portfolio. Within the date range, the report displays the amount of interest accrued as of the report beginning date, the amount of interest earned during the reporting period, the amount of interest recorded as received, and the ending accrued interest. What follows is a description of the report's headings.

ISSUER – Issuer is the name of the institution which issued the investment.

INVESTMENT NUMBER – The investment number is a unique number that identifies the investment position.

SECURITY TYPE – This heading is a three-character code assigned by the program to identify each type of investment.

PAR VALUE- The nominal or face value of the security.

MATURITY DATE – The maturity date is the date on when an investment will mature.

CURRENT RATE – For coupon instruments, the current rate is the coupon or interest rate at the time of purchase. For discount instruments, the current rate is the yield to maturity.

BEGINNING ACCRUED INTEREST – This column displays the amount of interest earned, but not yet received, as of the report beginning date.

INTEREST EARNED – This column shows the amount of interest earned during the selected reporting period.

INTEREST RECEIVED – This column includes the amount of interest posted as received during the selected reporting period.

ENDING ACCURED INTEREST – This column displays the amount of interest earned, but not yet received, as of the report ending date.

County of Santa Cruz
Accrued Interest
Sorted by Security Type - Fund
April 1, 2024 - June 30, 2024

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
U.S. Treasury Notes/ Bonds										
912828WJ5	22483	TRC	0.00	05/15/2024	2.500	189,560.44	0.00	60,439.56	250,000.00	0.00
912828D56	22517	TRC	30,000,000.00	08/15/2024	2.375	90,041.21	0.00	178,125.00	0.00	268,166.21
9128283V0	22533	TRC	27,000,000.00	01/31/2025	2.500	0.00	0.00	152,060.44	0.00	152,060.44
91282CCC3	22416	TRC	0.00	05/15/2024	0.250	14,217.03	0.00	4,532.97	18,750.00	0.00
91282CFE6	22502	TRC	20,000,000.00	08/15/2025	3.125	78,983.52	0.00	156,250.00	0.00	235,233.52
91282CCL3	22505	TRC	25,000,000.00	07/15/2024	0.375	19,831.73	0.00	23,437.50	0.00	43,269.23
91282CCW9	22507	TRC	15,000,000.00	08/31/2026	0.750	9,782.61	0.00	27,819.29	0.00	37,601.90
91282CFB2	22514	TRC	20,000,000.00	07/31/2027	2.750	92,170.33	0.00	137,500.00	0.00	229,670.33
91282CFH9	22515	TRC	20,000,000.00	08/31/2027	3.125	54,347.83	0.00	154,551.63	0.00	208,899.46
91282CCH2	22516	TRC	20,000,000.00	06/30/2028	1.250	63,186.81	0.00	62,492.54	0.00	125,679.35
91282CJC6	22518	TRC	30,000,000.00	10/15/2026	4.625	360,143.44	0.00	344,979.51	413,217.21	291,905.74
91282CDF5	22522	TRC	20,000,000.00	10/31/2028	1.375	46,085.17	0.00	68,240.86	67,994.51	46,331.52
91282CJR3	22523	TRC	15,000,000.00	12/31/2028	3.750	94,265.11	0.00	140,608.20	0.00	234,873.31
91282CDB4	22530	TRC	20,000,000.00	10/15/2024	0.625	0.00	0.00	30,396.17	4,098.36	26,297.81
91282CDS7	22532	TRC	27,000,000.00	01/15/2025	1.125	0.00	0.00	68,427.20	0.00	68,427.20
91282CHL8	22537	TRC	50,000,000.00	06/30/2025	4.625	0.00	0.00	25,343.04	0.00	25,343.04
		Subtotal	**339,000,000.00**			**1,112,615.23**	**0.00**	**1,635,203.91**	**754,060.08**	**1,993,759.06**
Federal Agency Issues - Coupon										
3133EMNF5	22399	FAC	20,000,000.00	01/15/2025	0.375	15,833.33	0.00	18,750.00	0.00	34,583.33
3130APGN9	22427	FAC	15,000,000.00	10/28/2026	1.150	73,312.50	0.00	43,125.00	86,250.00	30,187.50
3130APYX7	22442	FAC	0.00	05/24/2024	0.800	56,444.43	0.00	23,555.56	80,000.00	-0.01
3130AQJ38	22455	FAC	25,000,000.00	07/25/2024	1.050	48,125.00	0.00	65,625.00	0.00	113,750.00
3130ARQ46	22464	FAC	0.00	05/28/2024	2.720	115,600.00	0.00	43,066.67	158,666.67	0.00
3130A1XJ2	22471	FAC	0.00	06/14/2024	2.875	250,116.22	0.00	170,640.03	420,756.25	0.00
3137EAEX3	22398	FAC	15,000,000.00	09/23/2025	0.375	1,250.00	0.00	14,062.50	0.00	15,312.50
3134GXRF3	22466	FAC	25,000,000.00	07/29/2024	2.625	113,020.83	0.00	164,062.50	0.00	277,083.33
3134GXTA2	22469	FAC	20,000,000.00	08/26/2024	3.050	59,305.56	0.00	152,500.00	0.00	211,805.56
3134GXJ54	22474	FAC	20,000,000.00	07/26/2024	3.650	131,805.57	0.00	182,500.00	0.00	314,305.57
3134GXK94	22475	FAC	20,000,000.00	08/15/2025	4.050	103,500.00	0.00	202,500.00	0.00	306,000.00
3135GAK42	22506	FAC	0.00	07/16/2025	5.640	646,250.00	0.00	58,750.00	705,000.00	0.00
3135GATN1	22535	FAC	4,000,000.00	06/04/2027	5.350	0.00	0.00	12,483.33	0.00	12,483.33
3135GATR2	22536	FAC	27,000,000.00	06/10/2027	5.260	0.00	0.00	82,845.00	0.00	82,845.00
		Subtotal	**191,000,000.00**			**1,614,563.44**	**0.00**	**1,234,465.59**	**1,450,672.92**	**1,398,356.11**

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
Medium Term Notes										
037833EB2	22493	MTN	10,000,000.00	02/08/2026	0.700	10,305.56	0.00	17,500.00	0.00	27,805.56
06048WQ60	22440	MTN	0.00	06/03/2024	1.000	15,555.56	0.00	34,444.44	50,000.00	0.00
06048WT91	22457	MTN	10,000,000.00	03/10/2025	2.350	13,708.33	0.00	58,750.00	0.00	72,458.33
06048WV31	22470	MTN	0.00	04/29/2024	3.100	53,388.89	0.00	24,111.11	77,500.00	0.00
06055JDV8	22528	MTN	10,000,000.00	03/25/2027	5.500	6,111.11	0.00	137,500.00	134,444.44	9,166.67
06055JEC9	22529	MTN	10,000,000.00	04/19/2028	5.500	0.00	0.00	110,000.00	0.00	110,000.00
14912L6C0	22465	MTN	0.00	06/09/2024	3.300	30,800.00	0.00	18,700.00	49,500.00	0.00
48130CBC8	22492	MTN	15,000,000.00	06/12/2026	5.250	238,437.50	0.00	196,875.00	393,750.00	41,562.50
48130CDD4	22509	MTN	15,000,000.00	11/15/2028	6.000	340,000.00	0.00	225,000.00	450,000.00	115,000.00
458140AS9	22499	MTN	10,000,000.00	07/29/2025	3.700	63,722.22	0.00	92,500.00	0.00	156,222.22
458140AU4	22538	MTN	25,000,000.00	05/19/2026	2.600	0.00	0.00	7,222.22	0.00	7,222.22
58933YAY1	22425	MTN	5,000,000.00	02/24/2026	0.750	3,854.17	0.00	9,375.00	0.00	13,229.17
594918BB9	22462	MTN	17,544,000.00	02/12/2025	2.700	64,474.20	0.00	118,422.00	0.00	182,896.20
89236THP3	22495	MTN	10,000,000.00	10/16/2025	0.800	36,666.67	0.00	20,000.00	40,000.00	16,666.67
89236TJT3	22498	MTN	10,000,000.00	01/13/2025	1.450	31,416.67	0.00	36,250.00	0.00	67,666.67
89236TKF1	22519	MTN	29,705,000.00	08/18/2025	3.650	129,505.55	0.00	271,058.12	0.00	400,563.67
89236TLQ6	22521	MTN	20,000,000.00	07/26/2028	5.000	180,555.56	0.00	250,000.00	0.00	430,555.56
		Subtotal	**197,249,000.00**			**1,218,501.99**	**0.00**	**1,627,707.89**	**1,195,194.44**	**1,651,015.44**
Negotiable CDs										
85325VHX1	22503	NCB	25,000,000.00	09/03/2024	6.010	755,423.61	0.00	379,798.61	0.00	1,135,222.22
85325VMV9	22534	NCB	30,000,000.00	02/28/2025	5.440	0.00	0.00	117,866.67	0.00	117,866.67
87019WSB2	22511	NCB	0.00	05/08/2024	5.720	552,138.89	0.00	146,972.22	699,111.10	0.01
87019WTN5	22524	NCB	50,000,000.00	07/05/2024	5.340	363,416.67	0.00	674,916.66	0.00	1,038,333.33
89115BKH2	22510	NCB	25,000,000.00	08/16/2024	5.770	556,965.28	0.00	364,631.95	0.00	921,597.23
89115BQV5	22520	NCB	50,000,000.00	10/02/2024	5.250	648,958.33	0.00	663,541.67	0.00	1,312,500.00
		Subtotal	**180,000,000.00**			**2,876,902.78**	**0.00**	**2,347,727.78**	**699,111.10**	**4,525,519.46**
Municipal Bonds										
127109QB5	22477	MUN	1,215,000.00	08/01/2025	2.194	4,442.85	0.00	6,664.27	0.00	11,107.12
13063DGB8	22480	MUN	15,200,000.00	04/01/2025	3.375	256,500.00	0.00	128,250.00	256,500.00	128,250.00
13063DC48	22504	MUN	15,000,000.00	02/01/2028	1.700	42,500.00	0.00	63,750.00	0.00	106,250.00
419792YR1	22421	MUN	10,000,000.00	08/01/2026	0.893	14,883.33	0.00	22,325.00	0.00	37,208.33
54438CYL0	22439	MUN	5,000,000.00	08/01/2026	1.174	9,783.33	0.00	14,675.00	0.00	24,458.33
801546QU9	22456	MUN	2,430,000.00	08/01/2024	2.000	8,100.00	0.00	12,150.00	0.00	20,250.00
79770GJB3	22445	MUN	4,250,000.00	08/01/2025	1.561	11,057.08	0.00	16,585.63	0.00	27,642.71
91412GU94	22410	MUN	8,600,000.00	07/01/2025	3.063	65,854.50	0.00	65,854.50	0.00	131,709.00
91412HGF4	22489	MUN	3,000,000.00	05/15/2027	1.316	14,914.67	0.00	9,870.00	19,740.00	5,044.67
91412HGF4	22490	MUN	7,000,000.00	05/15/2027	1.316	34,800.89	0.00	23,030.00	46,060.00	11,770.89

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
		Subtotal	**71,695,000.00**			**462,836.65**	**0.00**	**363,154.40**	**322,300.00**	**503,691.05**
Santa Cruz County Auditor Loan										
SYS7013	7013	MC9	8,000,000.00	07/01/2024	5.330	0.00	0.00	3,553.33	0.00	3,553.33
		Subtotal	**8,000,000.00**			**0.00**	**0.00**	**3,553.33**	**0.00**	**3,553.33**
Local Agency Investment Fund (LAIF)										
SYS6501	6501	LA1	10,000.00		4.470	112.30	0.00	114.03	112.30	114.03
		Subtotal	**10,000.00**			**112.30**	**0.00**	**114.03**	**112.30**	**114.03**
Dividends										
SYS22423	22423	PA4	0.00		5.210	392.00	0.00	7,840.49	8,136.09	96.40
		Subtotal	**0.00**			**392.00**	**0.00**	**7,840.49**	**8,136.09**	**96.40**
Supranationals										
459058JL8	22404	MC6	18,000,000.00	10/28/2025	0.500	38,250.00	0.00	22,500.00	45,000.00	15,750.00
459058JB0	22420	MC6	15,000,000.00	04/22/2025	0.625	41,031.25	0.00	23,437.50	46,950.00	17,518.75
45906M4W8	22525	MC6	20,000,000.00	02/16/2029	4.600	115,000.00	0.00	230,000.00	0.00	345,000.00
45906M5F4	22531	MC6	25,000,000.00	03/27/2029	4.824	0.00	0.00	271,350.00	0.00	271,350.00
		Subtotal	**78,000,000.00**			**194,281.25**	**0.00**	**547,287.50**	**91,950.00**	**649,618.75**
Money Market Mutual Funds 02										
070731229	1229	RRP	10,000,000.00		4.790	59,728.13	0.00	120,209.75	140,198.53	39,739.35
SYS011119	22302	RRP	220,000,000.00		5.430	697,408.03	0.00	3,073,195.41	2,709,401.63	1,061,201.81
157 519 832 743	22283	RRP	50,000,000.00		5.270	143,815.52	0.00	636,056.19	571,032.04	208,839.67
		Subtotal	**280,000,000.00**			**900,951.68**	**0.00**	**3,829,461.35**	**3,420,632.20**	**1,309,780.83**
		Total	**1,344,954,000.00**			**8,381,157.32**	**0.00**	**11,596,516.27**	**7,942,169.13**	**12,035,504.46**

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

DESCRIPTION OF INVESTMENT INSTRUMENTS (1/3)

The investment activities of County Treasurers are restricted by state law to a select group of government securities and prime money market instruments. To reduce the risk inherent in any one instrument, state law further limits the percentage of the county's portfolio that can be invested in any one type of security.

The types of securities available to the County Treasurer can be divided into three main categories: 1) U.S. Treasury bills, notes and bonds. They are guaranteed by the U.S. Government and are considered to have no credit risk. They also typically have the lowest yield of the securities available for investing. 2) Securities issued by U.S. Government Agencies and Instrumentalities. These securities consist mostly of notes and debentures of agencies and government sponsored corporations. They are not guaranteed by the U.S. government and therefore have some credit risk. Their yield is typically higher than U.S. Treasury securities. 3) Prime money market securities. These consist of securities such as bankers' acceptances, certificates of deposit, commercial paper and municipal bonds. The yield is typically higher than the other types of securities in which the county invests but the risk is also higher. Through diversification and purchasing only highly rated paper, the credit risk is kept to an acceptable minimum. Each of the securities in these three categories is subject to market risk if sold prior to maturity.

What follows is a brief description of the different securities used by the County Treasurer:

U.S. Treasury Notes and Bonds are long term obligations of the U.S. government, which bear coupons. Interest is payable every six months at a rate of one-half the annual coupon. Treasury bonds and notes trading is conducted by the same securities dealers who trade T bills. In the secondary market, prices are quoted in thirty-seconds of 1 percent. Except for their maturities, notes and bonds are identical regardless of their label. Notes are issued for original maturities of one to 10 years. Bonds are issued with original maturities of more than 10 years.

U.S. Treasury Bills are unusual instruments because they bear no specific interest rate. Rather, they are issued originally at a discount from its ultimate maturity (par) value. Because T Bills are issued and traded at a discount, investors receive their returns at maturity or on subsequent resale, which ordinarily will be at prices higher than the original discount.

Federal Farm Credit Bank (FFCB) Discount Notes. FFCB is an instrumentality of the U.S. Government. The notes are the consolidated obligations of the 37 Farm Credit Banks issued on a discount basis with maturities of one year or less. Although not as risk free as Treasury notes, most experts believe the U.S. government has a moral commitment to the farm credit system.

DESCRIPTION OF INVESTMENT INSTRUMENTS (2/3)

Federal Farm Credit Bank (FFCB) debentures are consolidated obligations of the 37 Farm Credit Banks issued with a fixed coupon rate with maturities ranging from 6 months to 20 years. A debenture is a bond secured only by the general credit of the issuer.

Federal Home Loan Bank (FHLB) Discount notes are consolidated obligations of 12 District banks issued with a fixed coupon rate with maturities ranging from one to ten years. Although the FHLB operates under federal charter with government supervision, the securities are not guaranteed by the U.S. government. However, the banks are required to maintain a considerable reserve pledged against the outstanding debt. They are therefore considered relatively risk free.

Federal National Mortgage Association (Fannie Mae) Discount notes are consolidations of government chartered private corporations issued on a discount basis with maturities under one year. They are guaranteed by the corporations, but not by the U.S. government. Many investors consider the securities a moral obligation of the U.S. government and believe Congress would intervene before allowing default.

Federal National Mortgage Association (Fannie Mae) debentures are obligations issued by the Association with a fixed coupon rate and various maturities. A debenture is a bond secured only by the general credit of the issuer.

Local Agency Investment Fund (LAIF) is the state sponsored investment fund. LAIF is an excellent cash management tool to help meet most of the unexpected cash demands. Currently the state limits the county's investment in this pool to $65,000,000.

Federal Home Loan Mortgage Corporation (Freddie Mac) Participation Notes are issues of the Federal Home Loan Mortgage Corporation representing undivided interests in conventional mortgages underwritten and previously purchased by it. The corporation guarantees the timely payment of interest at the certificate rate and full return of principal. Participation Certificates have original final payment dates of 30 years.

Government National Mortgage Association (Ginnie Mae) Pass Through are issues of the wholly owned government corporation within the Department of Housing and Urban Development. Principal and interest payment collected on mortgages in specified pools are passed through to holders of GNMA Guaranteed certificates after deduction of servicing and guaranty fees. GNMA's have original stated maturities of 12 to 40 years. For Santa Cruz County, these are used only as collateral for overnight repurchase agreements.

Municipal Securities (Notes and Bonds) Debt securities issued by state and local governments and their agencies are referred to as municipal securities. Such securities can be divided into two broad categories: bonds issued to finance capital projects and short term notes sold in anticipation of the receipt of other funds, such as taxes or proceeds from a bond issue.

DESCRIPTION OF INVESTMENT INSTRUMENTS (3/3)

Banker's Acceptances. Briefly stated, the function of the bankers' acceptance is as follows: A borrower may, under certain circumstances, obtain short-term credit by arranging for his bank to accept a time draft upon it. The bank stamps its official accepted across the face of the draft and converts it into a bankers' acceptance. The instrument, now being a bank obligation, may be sold to an acceptance dealer who, in turn, may sell it to an investor. Most BAs arise out of transactions involving the trade of manufactured goods or commodities. Maturities range from one to 180 days.

Commercial Paper is a short-term promissory note issued by a company to finance current transactions. All commercial paper is negotiable, but most commercial paper sold to investors is held to maturity. Commercial paper is issued not only by industrial and manufacturing firms but also by finance companies. Notes are sold on a discount or interest- bearing basis with maturities not exceeding 270 days.

Medium Term Notes are obligations that have maturities of less than 5 years and are issued by corporations or depositories organized and operating in the U.S.

Negotiable Certificate of Deposit (NCD). It is a receipt for deposit of a stated sum in the bank on a given date, together with a promise to redeem this sum plus interest at the indicated rate on a designated date. The instrument is negotiable because it is payable either to bearer or to the order of the depositor.

Repurchase Agreements (RP or Repos). A holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. Repurchase agreements are usually for short periods of time (one to five days), when large sums are received that will be needed in the next day or two. As a result, they are often called overnight repos. From the point of view of investors, overnight repos offer several attractive features. First, by rolling overnight repos, investors can keep surplus funds invested without losing liquidity or incurring a price risk. Second, because repo transactions are secured by top quality paper, investors expose themselves to little or no risk.

Guaranteed Investment Contract (GIC). This is a fixed income agreement offered by insurance companies. GICs offer to pay a specific interest rate over a period of time. Some GICs are eligible for early redemption, with or without penalty, which eliminates market risk if interest rates rise. In Santa Cruz County it is only used for the investment of secured indebtedness and only if the note documentation permits such an investment.

Money Market (Mutual) Fund. A money market mutual fund is a pooled fund that invests in a number of money market vehicles (CD’s, CP, T-Bills, etc.). These funds are designed to pay the investor interest, as well as provide full liquidity. Maturities of the underlying investments are 13 months or less.