NEW ISSUE – BOOK-ENTRY ONLY **RATING: Moody's: "Aa3"**
See "RATING" herein.

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Refunding Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Refunding Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from personal income taxation imposed by the State of California. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" herein.

$28,215,000
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
2023 GENERAL OBLIGATION REFUNDING BONDS
(Santa Cruz and Monterey Counties, California)

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

Purposes. The Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds (the "**Refunding Bonds**") are being executed and delivered (i) to refund certain maturities of the Pajaro Valley Unified School District's Election of 2012 General Obligation Bonds, Series A (Federally Tax-Exempt) and (ii) to pay certain costs incurred in connection with the execution and delivery of the Refunding Bonds. See "INTRODUCTION – *Purpose of Issuance*" herein.

Security. The Refunding Bonds are general obligation bonds of the Pajaro Valley Unified School District (the "**District**"), payable solely from *ad valorem* property taxes to be levied on all taxable property within the District pursuant to the California Constitution and other California State law. The Board of Supervisors of Santa Cruz County (the **"County**"), plus a small contiguous part of Monterey County (together, the "**Counties**"), each has the power and each is obligated to annually levy *ad valorem* property taxes upon property within the boundaries of the District subject to taxation, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds. The District has other series of general obligation bonds outstanding that are similarly secured by *ad valorem* property tax levies. See "INTRODUCTION – *Sources of Payment for the Refunding Bonds*," "THE REFUNDING BONDS – Security," and "TAX BASE FOR REPAYMENT OF REFUNDING BONDS – *Ad Valorem* Property Taxation."

Interest. Interest represented by the Refunding Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2023. See "THE REFUNDING BONDS."

Book-Entry Only. Ownership interests in the Refunding Bonds will be in denominations of $5,000 and integral multiples thereof. When issued, the Refunding Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). DTC will act as securities depository of the Refunding Bonds. Ownership interests in the Refunding Bonds may be purchased in book-entry form only. Purchasers of the Refunding Bonds ("**Beneficial Owners**") will not receive physical certificates representing their interest in the Refunding Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. Principal, premium, if any, and interest due with respect to the Refunding Bonds will be paid by U.S. Bank Trust Company, National Association, San Francisco, California, as the designated payment agent, bond registrar, authenticating agent and transfer agent (the "**Paying Agent**"), to DTC, which will in turn remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Refunding Bonds as described herein. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

The Refunding Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their maturity, as described herein. *See "THE REFUNDING BONDS – Optional Redemption" and " – Mandatory Sinking Fund Redemption" herein.*

MATURITY SCHEDULE
(See inside front cover)

The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the District and subject to certain other conditions. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel to the District. Certain legal matters will be passed on for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Refunding Bonds, in book-entry form, will be available through the facilities of DTC on or about May 11, 2023.

STIFEL

The date of this Official Statement is April 19, 2023.

$28,215,000
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
2023 GENERAL OBLIGATION REFUNDING BONDS
(Santa Cruz and Monterey Counties, California)

MATURITY SCHEDULE

Base CUSIP†: 695802

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.
2023	$330,000	5.00%	2.75%	100.488%	QX9
2024	340,000	5.00	2.66	102.791	QY7
2025	355,000	5.00	2.47	105.434	QZ4
2026	375,000	5.00	2.39	108.044	RA8
2027	395,000	5.00	2.37	110.504	RB6
2028	500,000	5.00	2.38	112.791	RC4
2029	435,000	5.00	2.36	115.190	RD2
2030	455,000	5.00	2.38	117.287	RE0
2031	480,000	5.00	2.40	119.292	RF7
2032	505,000	5.00	2.43	121.115	RG5
2033	530,000	5.00	2.47	122.728	RH3
2034	555,000	5.00	2.59 [C]	121.518	RJ9
2035	585,000	5.00	2.75 [C]	119.927	RK6
2036	615,000	5.00	2.92 [C]	118.263	RL4
2037	645,000	5.00	3.08 [C]	116.723	RM2
2038	675,000	5.00	3.18 [C]	115.772	RN0
2039	710,000	5.00	3.29 [C]	114.737	RP5
2040	745,000	5.00	3.41 [C]	113.620	RQ3
2041	780,000	5.00	3.51 [C]	112.700	RR1

$18,205,000 4.00% Term Bonds due August 1, 2045 – Yield 4.20% Price 97.123% CUSIP † No. 695802 RS9

[C] Yield to call at par on August 1, 2033.

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† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services ("**CGS**") which is owned by FactSet Research Systems Inc. ("**FactSet**"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The District, the Underwriter, and the Municipal Advisor are not responsible for the selection, correctness or uses of the CUSIP® numbers, and no representation is made as to their correctness on the applicable Refunding Bonds or as set forth herein. CUSIP® numbers have been assigned by an independent company not affiliated with the District, the Underwriter or the Municipal Advisor and CUSIP® numbers are provided for convenience of reference only. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Refunding Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Refunding Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. 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 Refunding 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.

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

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the Refunding 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 Refunding Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the 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 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.

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

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

THE REFUNDING BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE REFUNDING BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT
SANTA CRUZ AND MONTEREY COUNTIES
STATE OF CALIFORNIA

DISTRICT ADMINISTRATION

Michelle Rodriguez, Ph.D., *Superintendent*
Clint Rucker, *Chief Business Officer*

PROFESSIONAL SERVICES

BOND COUNSEL
Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation
Irvine, California

DISCLOSURE COUNSEL
James F. Anderson Law Firm, A Professional Corporation
Laguna Hills, California

MUNICIPAL ADVISOR
Dale Scott & Company, Incorporated
San Francisco, California

UNDERWRITER'S COUNSEL
Norton Rose Fulbright US LLP
Los Angeles, California

PAYING AGENT / ESCROW AGENT (BANK)
U.S. Bank Trust Company, National Association
San Francisco, California

VERIFICATION AGENT
Causey Demgen & Moore P.C.
Denver, Colorado

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$28,215,000
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
2023 GENERAL OBLIGATION REFUNDING BONDS
(Santa Cruz and Monterey Counties, California)

INTRODUCTION

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

The purpose of this Official Statement, which includes the cover page, inside cover page, and Appendices hereto (the "**Official Statement**"), is to provide certain information in connection with the sale of the Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds (the "**Refunding Bonds**") in the aggregate principal amount of $28,215,000. The Refunding Bonds consist of current interest bonds, all as indicated on the inside front cover hereof, to be issued by the Pajaro Valley Unified School District (the "**District**"). See "THE REFUNDING BONDS."

The District. The District is a unified school district established on June 12, 1964. The District provides public education for grades TK through 12, as well as child development and adult education, over a 150-square mile area in southern Santa Cruz County (the "**County**"), plus a small contiguous part of Monterey County (together, the "**Counties**"). The District currently operates 16 elementary schools, six middle schools, three high schools, a continuation high school, a community day school, an adult education school, twelve childcare centers, and a migrant education program. In addition, there are four dependent charter schools and two independent charter schools operating within the District's boundaries. TK-12 annual average daily attendance in the District is approximately 14,329. excluding charter schools and County Office of Education students and approximately 1,895, charter schools and the County Office of Education students for Fiscal Year 2022-23. For demographic information about the City of Watsonville and the County, see APPENDIX C.

The District is governed by a seven-member Board of Trustees (the "**Governing Board**"), each member of which is elected to a four-year term by voters in seven trustee areas. Elections or appointments for positions to the Governing Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Dr. Michelle Rodriguez is the current District Superintendent.

The audited financial statements for the District's Fiscal Year ended June 30, 2021, are included in Appendix B hereto. *The District's audited financial statements for the Fiscal Year ending June 30, 2022, are expected to be presented to the District's Board at its May 24, 2023 meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly thereafter.*

For more complete information concerning the District, including certain financial information, see APPENDIX A – "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION." See also, APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021" herein. The District's audited financial statements for the Fiscal Year ending June 30, 2021, are included as APPENDIX B and should be read in their entirety. See "TAX BASE FOR REPAYMENT OF REFUNDING BONDS" herein for more information regarding the District's assessed valuation.[1]

Sources of Payment for the Refunding Bonds. The Refunding Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by each County on taxable property located within the boundaries of the District. The Board of Supervisors (the "**Board of Supervisors**") of each County has the power and is obligated to annually levy *ad valorem* property taxes for the payment of the Refunding 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). Although each County is obligated to levy an *ad valorem* property tax for the payment of the Refunding Bonds and to make timely payment of the principal of and interest on the Refunding Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Refunding Bonds, the Refunding Bonds are not a debt of either County. The District's general fund is not a source of repayment for the Refunding Bonds.

The District received authorization at an election held on November 6, 2012 (the "**2012 Authorization**"), by an affirmative vote of at least 55% of the votes cast by eligible voters within the District to issue not to exceed $150,000,000 of general obligation bonds. On April 30, 2013, the first and second series of bonds were issued under the 2012 Authorization in the amount of $68,540,000 (the "**Series 2013-A Bonds**") and the amount of $11,460,000 (the "**Series 2013-B Bonds**") leaving $70,000,000 of the 2012 Authorization remaining unissued. On February 23, 2016, the third series of bonds were issued under the 2012 Authorization in the amount of $40,000,000 (the "**Series 2016-C Bonds**"), leaving $30,000,000 of the 2012 Authorization remaining unissued. On November 9, 2017, the fourth and final series of bonds were issued under the 2012 Authorization in the amount of $30,000,000 (the "**Series 2017-D Bonds**" and, collectively with the Series 2013-A Bonds, the Series 2013-B Bonds, and the Series 2016-C Bonds, the "**Prior Bonds**"), leaving no portion of the 2012 Authorization remaining unissued. On June 16, 2020, the District issued its 2020 General Obligation Refunding Bonds (Federally Taxable) in the amount of $50,535,000 to refund a portion of the 2012 Election, Series A Bonds and 2012 Election, Series B Bonds. See "THE REFUNDING BONDS – Security" and "TAX BASE FOR REPAYMENT OF REFUNDING BONDS – *Ad Valorem* Property Taxation."

Purpose of Issuance. The Refunding Bonds are being issued by the District to currently refund certain designated outstanding Series 2013-A Bonds (as so refunded, the "**Refunded Series A Bonds**").

The remaining proceeds of the Refunding Bonds will be used to pay certain costs of issuance of the Refunding Bonds, including, but not limited to, the Underwriter's discount.

See "REFUNDING OF REFUNDED SERIES A BONDS."

Description of the Refunding Bonds

Maturity of Refunding Bonds. The Refunding Bonds will mature on August 1 in the years and in the amounts indicated on the inside cover page of this Official Statement.

Payments. Interest on the Refunding Bonds accrues from the date of delivery of the Refunding Bonds at the rates set forth on the inside cover page of this Official Statement and is payable semiannually

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[1] The Monterey County area, including areas of the City of Pajaro, experienced flood damage from a series of storms in March 2023. Flood waters breached the Pajaro River levee resulting in evacuations on Saturday March 11, 2023. Property owners may complete a calamity damage reassessment form for up to 12 months after the event date. In addition, California and the federal government, respectively, have extended the State and federal tax filing and payment due dates to October 16, 2023, for Californians impacted by the winter storms which includes territory within the District's boundaries. See "TAX BASE FOR REPAYMENT OF REFUNDING BONDS – Assessed Valuation – Assessed Valuation History – *Flood Damage*."

on each February 1 and August 1 (each an "**Interest Payment Date**"), commencing August 1, 2023. The principal of the Refunding Bonds is payable at maturity upon surrender of the Refunding Bonds for payment. See "THE REFUNDING BONDS – Payment" herein.

Registration. The Refunding Bonds will be issued in fully registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), and will be available to actual purchasers of the Refunding Bonds (the "**Beneficial Owners**") in the denominations set forth on the cover page of this Official Statement, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See "THE REFUNDING BONDS – Book-Entry-Only System" and APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM." In the event that the book-entry-only system described below is no longer used with respect to the Refunding Bonds, the Refunding Bonds will be registered in accordance with the Bond Resolution (as defined below). See "THE REFUNDING BONDS – Registration, Transfer and Exchange of Refunding Bonds."

Denominations. The Refunding Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of $5,000 each or any integral multiple thereof.

Redemption. The Refunding Bonds maturing on or before August 1, 2033, are not subject to optional redemption prior to their stated maturity date. The Refunding Bonds maturing on or after August 1, 2034, may be redeemed before maturity, at the option of the District, in whole or in part on any date on or after August 1, 2033. The Refunding Bonds are subject to mandatory sinking fund redemption prior to maturity. See "THE REFUNDING BONDS – Optional Redemption" and " – Mandatory Sinking Fund Redemption."

Tax Matters

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California ("**Bond Counsel**"), subject, however to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "**Code**"). In the further opinion of Bond Counsel, interest on the Refunding Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals Interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. In the further opinion of Bond Counsel interest on the Bonds is exempt from personal income taxation imposed by the State of California ("**State**"). Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds.

Set forth in APPENDIX D, attached hereto, is the form of opinion Bond Counsel is expected to deliver in connection with the issuance of the Refunding Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Refunding Bonds, including certain exceptions to the tax treatment of interest paid on the Refunding Bonds, see "TAX MATTERS" herein."

Authority for Issuance of the Refunding Bonds

The Refunding Bonds are issued pursuant to certain provisions of the California Constitution, the California Government Code ("**Government Code**") and the California Education Code ("**Education Code**"), and other applicable law and pursuant to a resolution adopted by the Governing Board on March 8, 2023 (the "**Bond Resolution**"). See "THE REFUNDING BONDS – Authority for Issuance" herein.

Offering and Delivery of the Refunding Bonds

The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality by Bond Counsel. It is anticipated that the Refunding Bonds will be available for delivery through DTC on or about May 11, 2023.

Continuing Disclosure

The District will agree for the benefit of current registered owners of any Refunding Bonds (the "**Owners**") to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with Securities and Exchange Commission ("**S.E.C.**") Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be made available and of the notices of enumerated events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." See "CERTAIN LEGAL MATTERS – Continuing Disclosure" herein.

Professionals Involved in the Bond Offering

Several professional firms have provided services to the District with respect to the sale and delivery of the Refunding Bonds. Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, will deliver its legal opinion in substantially the form set forth in APPENDIX D. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving as Disclosure Counsel ("**Disclosure Counsel**") to the District with respect to the Refunding Bonds. Norton Rose Fulbright US LLP, Los Angeles, California, is serving as Underwriter's Counsel. Dale Scott & Company, Incorporated, San Francisco, California, is acting as Municipal Advisor ("**Municipal Advisor**") to the District. U.S. Bank Trust Company, National Association, San Francisco, California, is acting as the initial Paying Agent (the "**Paying Agent**") and as Escrow Bank (the "**Escrow Bank**") with respect to the Refunding Bonds. Causey Demgen & Moore P.C., Denver, Colorado, will act as verification agent for the Refunded Series A Bonds. The District's financial statements for the Fiscal Year ended June 30, 2021, have been audited by EideBailly, LLP, Certified Public Accountants, Palo Alto, California. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021." *The District's audited financial statements for the Fiscal Year ending June 30, 2022, are expected to be presented to the District's Board at its May 24, 2023, meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly thereafter.*

For information regarding respects in which certain of the above-mentioned professionals, advisors, counsel, and consultants may have a financial or other interest in the offering of the Refunding Bonds, see "FINANCIAL INTERESTS" herein.

Summary Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate, as described and defined herein. Copies of documents referred to in this Official Statement and information concerning the Refunding Bonds are available from the District from the Superintendent's Office at 294 Green Valley Road, Watsonville, California 95076, Telephone: (831) 786-2100. The District may impose a charge for copying, mailing and handling.

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

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

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "estimate," "project," "budget" or other similar words. Such 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.

All terms used in this Official Statement and not otherwise defined shall have the meanings given such terms in the Bond Resolution.

Changes Subsequent to the Preliminary Official Statement

At the time of preparation of the Preliminary Official Statement, dated April 19, 2023, the District's audited financial statements for the Fiscal Year ending June 30, 2022, were expected to be presented to the District's Board at its May 10, 2023 meeting. The District's audited financial statements for the Fiscal Year ending June 30, 2022, are now expected to be presented to the District's Board at its May 24, 2023, meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly after presentation to the Board. References in the Preliminary Official Statement to the May 10, 2023, Board meeting have been changed in the Official Statement to refer to the May 24, 2023, Board meeting.

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds are issued pursuant to certain provisions of the California Constitution, the Government Code and the Education Code, and other applicable law and pursuant to the Bond Resolution. An election conducted within the boundaries of the District was held on November 6, 2012, pursuant to the provisions of the "Safer Schools, Smaller Classes and Financial Accountability Act" (also known as "**Proposition 39**") and related State legislation. See "INTRODUCTION – Authority for Issuance of the Refunding Bonds."

Security

Each Board of Supervisors has the power to and is obligated to annually levy *ad valorem* property taxes for the payment of the principal of and the interest on the Refunding Bonds upon all property within the boundaries of the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Refunding Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Refunding Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. However, the County is not obligated to establish or maintain such a reserve for the Refunding Bonds, and the District can make no representations that the County will do so in future years.

Such taxes, when collected, will be deposited into the Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds Debt Service Fund (the "**Debt Service Fund**"), which is maintained by the County and is kept separate and distinct from all other District and County funds and which is required by State law to be applied for the payment of principal of and interest on the Refunding Bonds when due. The District's general fund is not a source of repayment for the Refunding Bonds. Although the County is obligated to levy an *ad valorem* property tax for the payment of the Refunding Bonds and to make timely payment of the principal of and interest on the Refunding Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on and redemption premium, if any, on the Refunding Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal, premium, if any, and interest to its Direct Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Refunding Bonds.

The amount of the annual *ad valorem* property tax levied by each County to repay the Refunding 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 Refunding Bonds in any year. Fluctuations in the annual debt service on the Refunding Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession or general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes) or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, outbreak of disease, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. The District may issue additional bonds for refunding purposes. Such additional bonds will be issued on a parity with all other general obligation bonds of the District. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF REFUNDING BONDS" herein.

The District's general fund is not a source of repayment for the Refunding Bonds.

Statutory Lien on Ad Valorem Property Tax Revenues; California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015, and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 53515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by *ad valorem* property tax collections such as the Refunding Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

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

Description of the Refunding Bonds

The Refunding Bonds shall be issued in denominations of $5,000 or any integral multiple thereof. The Refunding Bonds are being issued as current interest bonds, as further described herein. Interest on the Refunding Bonds is payable on February 1 and August 1 of each year (each, an "**Interest Payment Date**"), commencing on August 1, 2023, and thereafter to maturity. Principal of the Refunding Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Refunding Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. Principal of, premium, if any, and interest on the Refunding Bonds is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry-only system. See " – Book-Entry-Only System" below and APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

See the Maturity Schedule on the inside cover for the maturity schedule of the Refunding Bonds and "DEBT SERVICE SCHEDULE" for the debt service schedule for the Refunding Bonds.

Book-Entry-Only System

The Depository Trust Company (defined above as "**DTC**") will act as securities depository for the Refunding Bonds. The Refunding 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 Refunding Bond certificate will be issued for each maturity of the Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

Paying Agent

U.S. Bank Trust Company, National Association, San Francisco, California, will act as the initial registrar, transfer agent, authentication agent and paying agent for the Refunding Bonds. As long as DTC is the registered owner of the Refunding Bonds and DTC's book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC.

The Paying Agent, the District, each County (as applicable), and the Underwriter of the Refunding Bonds have no responsibility or liability for any aspect 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 Refunding Bonds.

Payment

Payment of interest on any Refunding Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the close of business on the 15th day (whether or not such day is a business day) of the month immediately preceding such Bond Payment Date (the "**Record Date**"), such interest to be paid by check mailed by first-class mail to such Owner on the Bond Payment Date at his or her address as it appears on such registration books on the Record Date. The Owner of an aggregate principal amount of Refunding Bonds of $1,000,000 or more may request in writing, prior to the close of business on the Record Date, to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Payments of principal and redemption premiums, if any, with respect to the Refunding Bonds shall be payable at maturity or redemption upon surrender at the principal office of the Paying Agent or such other location as the Paying Agent shall designate to the County and the District in writing. The interest, principal, and premiums, if any, on the Refunding Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Refunding Bonds when duly presented for payment at maturity and to cancel all Refunding Bonds upon payment thereof. The Refunding Bonds are general obligations of the District secured by *ad valorem* property tax revenues levied and collected pursuant to the California Constitution, the 2012 Authorization, and State law and do not constitute an obligation of either of the Counties, except as provided in the Bond Resolution. No part of any fund of either of the Counties is pledged or obligated to the payment of the Refunding Bonds.

The Refunding Bonds. The Refunding Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on each Interest Payment Date, commencing on August 1, 2023, computed using a year of 360 days, comprising twelve 30-day months. The Refunding Bonds authenticated and registered on any date prior to the close of business on July 15, 2023, shall bear interest from their dated date. The Refunding Bonds authenticated during the period from the close of business on the 15th day of the calendar month next preceding the Record Date and the close of business on that Interest Payment Date shall bear interest from that Interest

Payment Date or unless it is authenticated on or before the Record Date prior to the initial Interest Payment Date, in which event it shall bear interest from the date of issuance. Any other Refunding Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Refunding Bond, interest is then in default on Outstanding Refunding Bonds, such Refunding Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Optional Redemption

The Refunding Bonds maturing on or before August 1, 2033, are not subject to optional redemption prior to their stated maturity date. The Refunding Bonds maturing on or after August 1, 2034, are subject to optional redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2033, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

The $18,205,000 term Refunding Bonds maturing on August 1, 2045, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued but unpaid interest, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2042	$820,000
2043	2,400,000
2044	7,200,000
2045†	7,785,000

† Maturity

In the event that Term Bonds are subject to optional redemption pursuant to the Bond Resolution, unless otherwise directed by the District, there shall be pro rata reductions in the annual sinking fund payments due on such Outstanding Term Bonds.

Purchase In Lieu of Redemption. In lieu of, or partially in lieu of, any mandatory sinking fund redemption of Refunding Bonds, moneys in the Debt Service Fund may be used to purchase the Outstanding Refunding Bonds that were to be redeemed with such funds in the manner provided in the Bond Resolution. Purchases of Outstanding Refunding Bonds may be made by the District or the County through the Paying Agent prior to the selection of Refunding Bonds for redemption at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par, plus accrued interest.

Selection of Refunding Bonds for Redemption

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

Notice of Redemption

While the Refunding Bonds are subject to DTC's book-entry system, the Paying Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the Beneficial Owners of the Refunding Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Refunding Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Bond Resolution.

The Paying Agent shall give notice of the redemption (a "**Redemption Notice**") of the Refunding Bonds at the expense of the District. Such Redemption Notice shall specify: (a) the Refunding Bonds or designated portions thereof (in the case of redemption of the Refunding Bonds in part but not in whole) which are to be redeemed, (b) if less than all of the then-outstanding Refunding Bonds are to be called for redemption, shall designate the numbers (or state that all Refunding Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP® numbers, if any, of the Refunding 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 Refunding Bonds and the specific Refunding Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Refunding Bond to be redeemed, the portion of the principal of such Refunding Bond to be redeemed, together with the interest accrued to the redemption date, and redemption premium, if any, and that from and after such date, interest with respect thereto shall cease to accrue.

Any Redemption Notice shall be mailed, by first-class mail, postage prepaid, to the Owners of the Refunding Bonds, to a Securities Depository and to a national information service, and by first-class mail, postage prepaid, to the District and the County and the respective Owners of any registered Refunding Bonds designated for redemption at their addresses appearing on the Refunding Bond registration books, in every case at least 20 days, but not more than 45 days, prior to the designated redemption date; *provided* that failure to receive such notice, failure to send such notice and any defect in any notice so mailed, shall not affect the sufficiency of the proceedings for the redemption of such Refunding Bonds nor entitle the Owner thereof to interest beyond the date given for redemption or entitle the Owner thereof to interest beyond the date given for redemption or affect the cessation of accrual of interest, as applicable, represented thereby from and after the redemption date. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Refunding Bonds shall bear or include the CUSIP® number identifying, by issue and maturity, the Refunding Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Refunding Bonds

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

Effect of Notice of Redemption

Notice having been given pursuant to the Bond Resolution (and not rescinded), and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Refunding Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Refunding Bonds to be redeemed as provided in the Bond Resolution; together with interest accrued to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the Bond Resolution (and not rescinded), then from and after such redemption date, interest with respect to the Refunding Bonds to be redeemed shall cease to accrue. All money held for the redemption of Refunding Bonds shall be held in trust for the account of the Owners of the Refunding Bonds so to be redeemed.

All Refunding Bonds paid at maturity or redeemed prior to maturity pursuant to the Bond Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the Paying Agent and the District. All or any portion of a Refunding Bond purchased by the County or the District shall be cancelled by the Paying Agent.

Any redemption notice may specify that redemption of the Refunding Bonds designated for redemption on a specified date will be subject to the receipt by the District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the District, the County and the Paying Agent will have no liability to the Owners of any Refunding Bonds, or any other party, as a result of the District's failure to redeem the Refunding Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the District may rescind any optional redemption of the Refunding Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Refunding Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Refunding Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. None of the District, the County or the Paying Agent will have any liability to the Owners of any Refunding Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Refunding Bonds pursuant to the provisions of the Bond Resolution.

Defeasance

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

a. Cash. By irrevocably depositing with a bank or trust company in escrow, an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Refunding Bonds outstanding and designated for defeasance, including all principal and interest and redemption premium, if any; or

b. Defeasance Obligations. By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Obligations (as defined below) permitted under Section 149(d) of the Code; together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Refunding Bonds outstanding and designated for defeasance (including all principal of, interest thereon and redemption premiums, if any), at or before their maturity date; then, notwithstanding that any of such Refunding Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all such designated outstanding Refunding Bonds shall cease and terminate, except the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraph (a.) above or this paragraph (b.), to the Owners of such designated Refunding Bonds not so surrendered and paid all sums due with respect thereto.

"**Defeasance Obligations**" shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Obligations; and (c) the underlying Defeasance Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; *provided* that such obligations are rated or assessed at the highest then-prevailing United States Treasury securities credit rating at the time of purchase.

Registration, Transfer and Exchange of Refunding Bonds

So long as any of the Refunding Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Refunding Bonds as provided in the Bond Resolution (the "**Bond Register**"). Subject to the provisions of the Bond Resolution, the person in whose name a Refunding Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Refunding Bond for all purposes of the Bond Resolution. Payment of or on account of the principal, premium, if any, of, and interest on any Refunding Bond shall be made only to or upon the order of the Owner thereof; the District, the County and the Paying Agent shall not be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Refunding Bonds, including interest, to the extent of the amount or amounts so paid.

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

Any Refunding Bond may be exchanged for Refunding Bonds of like tenor, maturity and aggregate principal amount, upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Refunding Bond may (but only if the District determines no longer to maintain the book-entry-only status of the Refunding Bonds, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the District to deliver certificated securities to particular DTC Participants) be transferred on the Bond Register only upon surrender of the Refunding Bond for cancellation at the office of the Paying Agent accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Refunding Bond or Refunding Bonds of like tenor and of any authorized denomination or denominations requested by the Owner in the aggregate principal amount of the Refunding Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

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

Any Refunding Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Refunding Bonds that the District may have acquired in any manner whatsoever, and those Refunding Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Refunding Bonds shall be made to the District by the Paying Agent and updated annually. The cancelled Refunding Bonds shall be destroyed by the Paying Agent in accordance with its procedures as confirmed in writing to the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Refunding Bonds during a period beginning with the opening of business on the business day following the Record Date next preceding any Interest Payment Date or any date of selection of Refunding Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given, as applicable, or (b) to transfer any Refunding Bonds which have been selected or called for redemption in whole or in part.

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REFUNDING OF REFUNDED SERIES A BONDS

A portion of the net proceeds of the Refunding Bonds are being used to currently refund all of the bonds maturing on August 1, 2028, and August 1, 2047, of the District's Series 2013-A Bonds on August 9, 2023, at a redemption price equal to 100% of the aggregate principal amount of the Refunded Series A Bonds.

The remaining proceeds of the Refunding Bonds will be used to pay certain costs of issuance of the Refunding Bonds, including, but not limited to, Underwriter's discount. See also "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The net proceeds of the Refunding Bonds will be transferred to the Escrow Bank for deposit in an escrow fund (the "**Escrow Fund**") to be established under an Escrow Agreement, dated as of the date of issuance of the Refunding Bonds, by and between the District and the Escrow Bank (the "**Escrow Agreement**"). Until August 9, 2023 (the "**Redemption Date**") as described above, the proceeds of the Refunding Bonds will be deposited in the Escrow Fund and invested in certain non-callable "Escrow Investments" specified under such Escrow Agreement that mature no later than August 9, 2023, that will be sufficient to pay interest coming due on the Refunded Bonds on August 1, 2023 and to pay the redemption price of the Refunded Series A Bonds on the Redemption Date. The redemption price is an amount equal to the principal amount of the Refunded Series A Bonds, without premium, plus interest accrued to the Redemption Date.

The sufficiency of amounts deposited into and of the Escrow Investments held in the Escrow Fund to effect the foregoing will be verified by Causey Demgen & Moore P.C., Denver, Colorado, as the verification agent (the "**Verification Agent**"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, such Refunded Series A Bonds will be defeased and the obligation of the Counties to levy *ad valorem* property taxes for payment thereof will terminate. From and after the date of issuance, the Refunding Bonds will constitute general obligations of the District payable solely from the proceeds of *ad valorem* property taxes levied on taxable property within the boundaries of the District. See "THE REFUNDING BONDS – Security" herein.

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The outstanding Refunded Series A Bonds that are being redeemed are listed in the following table:

Table 1
PAJARO VALLEY UNIFIED SCHOOL DISTRICT ELECTION OF 2012 GENERAL OBLIGATION BONDS, SERIES A (FEDERALLY TAX-EXEMPT)

$28,620,000 Aggregate Principal Amount of Refunded Series A Bonds

Maturity (August 1)	CUSIP® No.†	Initial Principal Amount	Redemption Date	Redemption Price (% of Par Amount)
2028	695802 NS3	$85,000	8/9/2023	100.0
2047	695802 NB0	28,535,000	8/9/2023	100.0

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services ("**CGS**") which is owned by FactSet Research Systems Inc. ("**FactSet**"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the District, the Underwriter or the Municipal Advisor takes any responsibility for the accuracy of CUSIP® data in this Official Statement. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Refunding Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Refunding Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Refunding Bonds	$28,215,000.00
Plus Original Net Issue Premium	974,467.90
Total Sources	$29,189,467.90
Uses of Funds:	
Deposit Escrow Fund	$28,895,184.63
Payment of Costs of Issuance (1)	294,283.27
Total Uses	$29,189,467.90

(1) Costs of issuance include Bond Counsel and Disclosure Counsel, municipal advisor fees, Underwriter's discount, rating agency fee, County fees, County expenses, Paying Agent fees, Escrow Agent costs, printing costs, and other miscellaneous expenses.

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DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Refunding Bonds (assuming no optional redemptions).

Table 2
DEBT SERVICE SCHEDULE

Period Ending August 1	Principal	Interest [(1)]	Total Debt Service
2023	$330,000	$273,044.44	$603,044.44
2024	340,000	1,212,200.00	1,552,200.00
2025	355,000	1,195,200.00	1,550,200.00
2026	375,000	1,177,450.00	1,552,450.00
2027	395,000	1,158,700.00	1,553,700.00
2028	500,000	1,138,950.00	1,638,950.00
2029	435,000	1,113,950.00	1,548,950.00
2030	455,000	1,092,200.00	1,547,200.00
2031	480,000	1,069,450.00	1,549,450.00
2032	505,000	1,045,450.00	1,550,450.00
2033	530,000	1,020,200.00	1,550,200.00
2034	555,000	993,700.00	1,548,700.00
2035	585,000	965,950.00	1,550,950.00
2036	615,000	936,700.00	1,551,700.00
2037	645,000	905,950.00	1,550,950.00
2038	675,000	873,700.00	1,548,700.00
2039	710,000	839,950.00	1,549,950.00
2040	745,000	804,450.00	1,549,450.00
2041	780,000	767,200.00	1,547,200.00
2042	820,000	728,200.00	1,548,200.00
2043	2,400,000	695,400.00	3,095,400.00
2044	7,200,000	599,400.00	7,799,400.00
2045	7,785,000	311,400.00	8,096,400.00
Total	$28,215,000	$20,918,794.44	$49,133,794.44

(1) *Interest payments on the Refunding Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2023.*

COMBINED DEBT SERVICE SCHEDULE

Aggregate Debt Service Schedule. The following table shows the debt service schedule with respect to the remaining outstanding District general obligation bonds and the Refunding Bonds (assuming no optional redemptions) through August 1 of each applicable year.

Table 3
COMBINED DEBT SERVICE SCHEDULE

Period Ending August 1	2002 Election, Series B Bonds (1)	Series 2013-B Bonds (2)	Series 2016-C Bonds (3)	Series 2017-D Bonds (4)	2020 Refunding Bonds (2)	Refunding Bonds	Aggregate General Obligation Bonds Debt Service
2023	$5,420,000.00	$366,571.10	$1,749,950.00	$1,286,100.00	$1,912,017.76	$603,044.44	$11,337,683.30
2024	5,610,000.00	397,812.30	1,834,950.00	1,286,100.00	1,910,795.26	1,552,200.00	12,591,857.56
2025	5,810,000.00	429,500.90	1,960,450.00	1,286,100.00	1,908,720.06	1,550,200.00	12,944,970.96
2026	6,010,000.00	464,257.20	2,089,200.00	1,401,100.00	1,910,601.16	1,552,450.00	13,427,608.36
2027	6,220,000.00	501,866.50	2,220,700.00	1,405,350.00	1,910,339.80	1,553,700.00	13,811,956.30
2028	6,440,000.00	537,114.10	2,309,450.00	1,449,100.00	1,909,871.16	1,638,950.00	14,284,485.26
2029	6,665,000.00	–	2,372,200.00	1,515,350.00	2,698,350.60	1,548,950.00	14,799,850.60
2030	–	–	2,434,950.00	1,577,850.00	2,863,934.06	1,547,200.00	8,423,934.06
2031	–	–	2,502,450.00	1,639,850.00	3,034,400.36	1,549,450.00	8,726,150.36
2032	–	–	2,574,200.00	1,723,850.00	3,218,463.32	1,550,450.00	9,066,963.32
2033	–	–	2,644,700.00	1,803,850.00	3,400,215.52	1,550,200.00	9,398,965.52
2034	–	–	2,718,700.00	1,879,850.00	3,593,426.62	1,548,700.00	9,740,676.62
2035	–	–	2,790,300.00	1,951,850.00	3,798,885.22	1,550,950.00	10,091,985.22
2036	–	–	2,866,700.00	2,019,850.00	4,005,797.90	1,551,700.00	10,444,047.90
2037	–	–	2,945,200.00	2,318,850.00	4,221,539.00	1,550,950.00	11,036,539.00
2038	–	–	3,025,450.00	2,427,100.00	4,450,918.00	1,548,700.00	11,452,168.00
2039	–	–	3,111,950.00	2,541,850.00	4,684,476.50	1,549,950.00	11,888,226.50
2040	–	–	3,193,950.00	2,662,350.00	4,931,730.00	1,549,450.00	12,337,480.00
2041	–	–	3,281,200.00	2,787,850.00	5,186,871.00	1,547,200.00	12,803,121.00
2042	–	–	3,374,600.00	2,917,600.00	5,449,528.50	1,548,200.00	13,289,928.50
2043	–	–	3,465,000.00	3,055,850.00	4,133,200.00	3,095,400.00	13,749,450.00
2044	–	–	3,562,200.00	3,201,600.00	–	7,799,400.00	14,563,200.00
2045	–	–	3,655,600.00	3,351,400.00	–	8,096,400.00	15,103,400.00
2046	–	–	–	5,610,800.00	–	–	5,610,800.00
2047	–	–	–	–	–	–	–
Total	$42,175,000.00	$2,697,122.10	$62,684,050.00	$53,101,400.00	$71,134,081.80	$49,133,794.44	$280,925,448.34

(1) On May 19, 2005, the District issued its 2002 Election General Obligation Bonds, Series B (the "**2002-B Bonds**") in the amount of $18,254,287.55, a portion of which included capital appreciation bonds. The 2002-B Bonds mature August 1, 2029.

(2) On April 30, 2013, the District issued its 2012 Election, Series A Bonds in the amount of $68,540,000 and also issued its 2012 Election, Series B Bonds in the amount of $11,460,000. On June 16, 2020, the District issued its 2020 General Obligation Refunding Bonds (Federally Taxable) in the amount of $50,535,000 to refund a portion of the 2012 Election, Series A Bonds and 2012 Election, Series B Bonds.

(3) On February 23, 2016, the District issued its Series 2016-C Bonds in the amount of $40,000,000. The Series 2016-C Bonds mature August 1, 2045.

(4) On November 9, 2017, the District issued its Series 2017-D Bonds in the amount of $30,000,000. The Series 2017-D Bonds mature August 1, 2046.

(5) On or about May 11, 2023, the District will issue the Refunding Bonds in the amount of $28,215,000 to refund the 2012 Election Series A Bonds maturing August 1, 2028 and August 1, 2047.

Permitted Investments

The Treasurer and Tax Collector of the County (the "**County Treasurer**") is authorized to invest the proceeds of the sale of the Refunding Bonds and all proceeds of taxes for payment of the Refunding Bonds in the County Pooled Investment Fund (as defined below) into which the District may lawfully invest its funds. Upon the written direction of the District, the County Treasurer may invest Refunding Bond proceeds or proceeds of taxes collected for payment of the Refunding Bonds in any investment permitted by law, including, but not limited to investment agreements which comply with the requirements of the rating agency then rating the Refunding Bonds necessary in order to maintain the then-current rating on the Refunding Bonds or in the Local Agency Investment Fund established by the State Treasurer.

See APPENDIX F for a description of the Santa Cruz County Investment Policy and APPENDIX G for a copy of the Quarterly Investment Report.

The information in APPENDIX F and in APPENDIX G has been provided by the County Treasurer. Neither the District nor the Underwriter has made an independent investigation of the investments in the County Pooled Investment Fund (the "**County Pooled Investment Fund**") and neither the District nor the Underwriter has made any assessment of the current County Treasurer's Statement of Investment Policy. The value of the various investments in the County Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including the investments in the County Pooled Investment Fund, generally prevailing interest rates and other economic conditions. The County Treasurer's Statement of Investment Policy is approved annually by the County Board of Supervisors as required by California Government Code Section 53646(a)(1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. The County Treasurer, with the consent of the Treasury Oversight Committee and the approval of the County Board of Supervisors, may change the County Treasurer's Statement of Investment Policy at any time. Finally, there are proposed, from time to time in the State Legislature, bills which could modify the currently authorized investments and/or place restrictions on the ability of public agencies, including the County, to invest in various securities. Therefore, there can be no assurance that the values of the various investments in the County Pooled Investment Fund will not vary significantly from the values described herein.

TAX BASE FOR REPAYMENT OF REFUNDING BONDS

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

Ad Valorem Property Taxation

The collection of property taxes is significant to the Owners of the Refunding Bonds and the District in two respects. First, each County Board of Supervisors will levy and collect *ad valorem* property taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Refunding Bonds. Second, 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**") and the general *ad valorem* property tax levy levied in accordance with Article XIIIA ("**Article XIIIA**") of the California Constitution (also referred to as "**Proposition 13**") and its implementing legislation is taken into account in connection with the LCFF, which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaced revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State. The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographics. See APPENDIX A – "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS; RESTRUCTURING OF THE K-12 FUNDING SYSTEM – Education Funding Generally," and APPENDIX A – "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION – STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS – Recent State Budgets – 2022-23 State Budget" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Refunding Bonds will be collected on the annual tax bills distributed by the applicable County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in Fiscal Year 1978-79, Article XIIIA and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed the way in which levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using "full cash value" as defined by Article XIIIA. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, K-12 school districts and community college districts (referred to herein as "**K-14 School Districts**") share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the existence of successor agencies to redevelopment agencies or by similar entities which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

Ad Valorem Property Taxation. Taxes are levied by the applicable County for each fiscal year on taxable real and personal property within the boundaries of the District which is situated in the District as of the preceding January 1. The valuation of secured real property is established as of January 1 and is subsequently equalized in August. The valuation of secured real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utility property and property (real or personal), for which there is a tax lien on such property sufficient, in the opinion of the applicable County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Boats and airplanes are examples of unsecured property. Secured property assessed by the State Board of Equalization ("**SBE**") is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of 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 applicable Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and if unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% each month begins to accrue on November 1 and a lien may be recorded against the assessee. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the applicable County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the applicable County Clerk and applicable County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer. See " – Alternative Method of Tax Apportionment – Teeter Plan; Secured Tax Charges and Delinquency Rates" herein.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 School Districts share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the existence of successor agencies to redevelopment agencies or by similar entities which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values in the District.

Assessed Valuations

The assessed valuation of property in the District is established by the applicable County Assessor, except for public utility property which is assessed by the State Board of Equalization. See " *– Taxation of State-Assessed Utility Property*" below and APPENDIX A. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction, or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see APPENDIX A – "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution."

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

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. This may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the State Board of Equalization, 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. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating non-unitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the applicable County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the applicable County. The District is unable to predict future transfers of State-assessed property in the District and the applicable County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Tax Collections and Delinquencies. A school district's share of the 1% county-wide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in Fiscal Year 1978-79, as adjusted according to statutes enacted since that time. Revenues derived from special *ad valorem* property taxes for voter-approved indebtedness are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The applicable County only provides information for tax charges and corresponding delinquencies by local agencies with respect to debt service levies for voter approved indebtedness. It does not provide such information for the 1% general tax levy. See " – Alternative Method of Tax Distribution – Teeter Plan; Secured Tax Charges and Delinquency Rates" below.

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Assessed Valuation History. The table following shows a recent history of the District's assessed valuation prepared by California Municipal Statistics, Inc., which values net out certain property exemptions, and do include homeowner exemption values. Assessed valuations shown are as of the date the equalized assessment tax roll is established in August of each year based on the preceding January 1 lien date, excluding any exemptions granted after such date in each year.

Table 4
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2011-12 through 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
		Santa Cruz County Portion			
2011-12	$10,627,499,849	$210,791	$291,329,497	$10,919,040,137	
2012-13	10,502,410,477	430,497	296,801,595	10,799,642,569	(1.1%)
2013-14	10,948,803,901	123,397	297,244,100	11,246,171,398	4.1
2014-15	11,766,157,632	123,397	316,703,948	12,082,984,977	7.4
2015-16	12,432,918,028	123,397	322,411,457	12,755,482,882	5.6
2016-17	13,034,338,540	123,397	316,883,054	13,351,344,991	4.7
2017-18	13,715,182,209	123,397	355,061,332	14,070,366,938	5.4
2018-19	14,535,167,257	9,732	362,598,537	14,897,775,526	5.9
2019-20	15,261,259,417	9,732	381,774,576	15,643,043,725	5.0
2020-21	15,937,095,216	9,732	388,616,999	16,325,721,947	4.4
2021-22	16,609,790,926	9,732	391,397,372	17,001,198,030	4.1
2022-23	17,570,996,865	0	414,245,035	17,985,241,900	5.8
		Monterey County Portion			
2011-12	$679,519,529	$1,643,544	$40,502,647	$721,665,720	
2012-13	684,389,062	2,124,427	41,224,288	727,737,777	0.8%
2013-14	703,049,891	2,124,427	42,228,973	747,403,291	2.7
2014-15	734,159,222	2,124,427	44,957,602	781,241,251	4.5
2015-16	788,875,427	2,124,427	46,227,216	837,227,070	7.2
2016-17	835,288,229	2,095,023	47,215,758	884,599,010	5.7
2017-18	879,317,909	2,095,023	57,531,817	938,944,749	6.1
2018-19	921,077,481	2,095,023	57,083,036	980,255,540	4.4
2019-20	968,307,742	2,095,023	59,331,888	1,029,734,653	5.0
2020-21	1,002,021,767	1,907,832	63,593,850	1,067,523,449	3.7
2021-22	1,040,301,571	1,907,832	71,547,586	1,113,756,989	4.3
2022-23	1,093,004,091	1,907,832	81,750,409	1,176,662,332	5.6
		Total District			
2011-12	$11,307,019,378	$1,854,335	$331,832,144	$11,640,705,857	
2012-13	11,186,799,539	2,554,924	338,025,883	11,527,380,346	(1.0%)
2013-14	11,651,853,792	2,247,824	339,473,073	11,993,573,689	4.0
2014-15	12,500,316,854	2,247,824	361,661,550	12,864,226,228	7.3
2015-16	13,221,793,455	2,247,824	368,668,673	13,592,709,952	5.7
2016-17	13,869,626,769	2,218,420	364,098,812	14,235,944,001	4.7
2017-18	14,594,500,118	2,218,420	412,593,149	15,009,311,687	5.4
2018-19	15,456,244,738	2,104,755	419,681,573	15,878,031,066	5.8
2019-20	16,229,567,159	2,104,755	441,106,464	16,672,778,378	5.0
2020-21	16,939,116,983	1,917,564	452,210,849	17,393,245,396	4.3
2021-22	17,650,092,497	1,917,564	462,944,958	18,114,955,019	4.1
2022-23	18,664,000,956	1,907,832	495,995,444	19,161,904,232	5.8

Source: California Municipal Statistics, Inc.

Adjustments to Assessed Values. As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, outbreak of disease, flood, drought, fire, toxic contamination, dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. Any such reduction would result in a corresponding increase in the annual tax rate levied by the applicable County to pay the debt service with respect to the Refunding Bonds.

Effects of Natural Disaster on Assessed Values. As referenced under "Assessed Valuations" herein, assessed valuations are subject to change in each year, and such changes may result from a variety of factors, including natural disasters.

Flood Damage. The Monterey County area, including areas of the City of Pajaro, experienced flooding with resulting flood damage from a series of storms in March 2023. Flood waters breached the Pajaro River levee resulting in evacuations on Saturday March 11, 2023. Federal, State, and local authorities have made emergency declarations. Monterey County is included in a Presidential Major Disaster Declaration which makes residents impacted who have damage or losses from the storms eligible to apply for federal disaster assistance. The Presidential Major Disaster Declaration also includes public assistance to help State, tribal, and local governments with ongoing emergency response and recovery costs and hazard mitigation.

Pajaro Middle School was damaged by flooding in March 2023, and is expected to remain closed through the end of the school year while the District works with its insurance carrier and contractors to effect repairs. The District is also working to obtain State assistance through the State Office of Emergency Services and the Office of Public School Construction and federal assistance through the Federal Emergency Management Agency. In excess of 90% of the approximately 450 students who had been attending Pajaro Middle School have been relocated to Lakeview Middle School.

The impacts on property and assessed values within the District's boundaries from these events are not currently known to the District. Property owners may complete a calamity damage reassessment form for up to 12 months after the event date. A $400 million rebuilding project funded by federal and State sources was scheduled to start construction in 2024 or 2025 within the District's boundaries. In addition, California and the federal government, respectively, have extended the State and federal tax filing and payment due dates to October 16, 2023, for Californians impacted by the winter storms which includes territory within the District's boundaries.

Drought Conditions. With respect to droughts specifically, the State has been experiencing a drought and on October 19, 2021, the Governor expanded a drought emergency declaration to include all of the State's 58 counties and required local water suppliers to implement water shortage contingency plans that are responsive to local conditions and prepare for the possibility of a third dry year. The Governor's office indicated at that time that the State was experiencing its worst drought since the late 1800's, as measured by both lack of precipitation and high temperatures. On May 23, 2022, the Governor met with representatives of the State's largest urban water suppliers and warned that if conservation efforts don't improve in the summer, the State could be forced to impose mandatory water restrictions throughout the State. Since the October 1, 2022, start of the 2022-23 California rainfall season, most areas of the State have experienced rainfall in excess of the normal to date rainfall. The recent drought will likely take more than a single rainfall season with plentiful rainfall. The State's prior five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by then Governor Brown. The State has implemented various actions which are intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year.

Wildfires. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can lead to the destruction of homes. For example, the seven largest recorded wildfires to occur in California since 1932, when more accurate records began being kept, have occurred in northern and central California since 2017. In November 2018, the Camp Fire, in Butte County, northern California, destroyed over 18,000 structures, and the towns of Paradise and Concow were almost completely destroyed.

The District has not been affected by such fires but there can be no assurance that the District, or structures within the boundaries of the District, will not be impacted by wildfires in the future. Property damage due to wildfire could result in a significant decrease in the market value of property in the District and in the ability or willingness of property owners to pay *ad valorem* property taxes when due.

The District cannot predict or make any representations regarding the effects that natural disasters, such as fire, drought, or extended drought conditions, earthquakes, flooding, outbreak of disease, or other related natural or man-made conditions, have or may have on the value of taxable property within the District, or to what extent the effects said natural disasters might have had on economic activity in the District or throughout the State. See above under the heading " – *Adjustments to Assessed Values*."

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Assessed Value by Jurisdiction. As shown in the table below, approximately 26.37% of the District's assessed valuation lies in the City of Watsonville, while approximately 6.14% lies in the unincorporated Monterey County and 67.49% lies in unincorporated San Cruz County.

Table 5
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
2022-23 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Watsonville	$5,052,543,459	26.37%	$5,052,543,459	100.00%
Unincorporated Monterey County	1,176,662,332	6.14	41,525,338,635	2.83
Unincorporated Santa Cruz County	12,932,698,441	67.49	31,947,486,201	40.48
Total District	$19,161,904,232	100.00%		
Summary by County:				
Monterey County	$1,176,662,332	6.14%	$83,224,295,383	1.41%
Santa Cruz County	17,985,241,900	93.86	55,510,152,705	32.40
Total District	$19,161,904,232	100.00%		

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table shows the land use of parcels in the District as measured by assessed value and number of parcels, according to each County's records for Fiscal Year 2022-23. As shown, residential purposes account for a majority of the District's assessed value and parcels.

Table 6
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2022-23

Non-Residential:	2022-23 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$998,663,984	5.35%	2,455	7.23%
Commercial	955,907,408	5.12	1,033	3.04
Vacant Commercial	41,677,639	0.22	104	0.31
Industrial	639,932,111	3.43	326	0.96
Vacant Industrial	25,352,517	0.14	78	0.23
Recreational	49,863,024	0.27	66	0.19
Hotel/Motel	72,917,436	0.39	80	0.24
Government/Social/Institutional	42,910,815	0.23	479	1.41
Miscellaneous	6,083,258	0.03	661	1.95
Subtotal Non-Residential	$2,833,308,192	15.18%	5,282	15.56%
Residential:				
Single Family Residence	$12,794,310,723	68.55%	21,613	63.68%
Condominium/Townhouse	1,856,432,069	9.95	3,791	11.17
Mobile Home	186,302,458	1.00	855	2.52
Mobile Home Park	40,120,963	0.21	37	0.11
2-3 Residential Units	485,540,438	2.60	1,199	3.53
4+ Residential Units/Apartments	374,530,297	2.01	267	0.79
Vacant Residential	93,455,816	0.50	895	2.64
Subtotal Residential	$15,830,692,764	84.82%	28,657	84.44%
Total	$18,664,000,956	100.00%	33,939	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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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, according to Fiscal Year 2022-23 assessed valuation.

Table 7
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Per Parcel 2022-23 Assessed Valuation of Single-Family Homes

	No. of Parcels	2022-23 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	21,613	$12,794,310,723	$591,973	$459,807

2022-23 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	367	1.698%	1.698%	$13,549,484	0.106%	0.106%
$50,000 - $99,999	1,269	5.871	7.570	94,019,433	0.735	0.841
$100,000 - $149,999	1,096	5.071	12.641	137,179,814	1.072	1.913
$150,000 - $199,999	1,056	4.886	17.526	184,674,817	1.443	3.356
$200,000 - $249,999	1,186	5.487	23.014	267,795,774	2.093	5.449
$250,000 - $299,999	1,469	6.797	29.811	405,326,367	3.168	8.617
$300,000 - $349,999	1,538	7.116	36.927	499,473,321	3.904	12.521
$350,000 - $399,999	1,352	6.255	43.182	506,740,264	3.961	16.482
$400,000 - $449,999	1,244	5.756	48.938	528,670,925	4.132	20.614
$450,000 - $499,999	1,200	5.552	54.490	569,404,246	4.450	25.065
$500,000 - $549,999	1,069	4.946	59.436	560,993,516	4.385	29.449
$550,000 - $599,999	888	4.109	63.545	510,249,059	3.988	33.437
$600,000 - $649,999	871	4.030	67.575	543,334,840	4.247	37.684
$650,000 - $699,999	771	3.567	71.142	520,587,339	4.069	41.753
$700,000 - $749,999	747	3.456	74.599	541,367,756	4.231	45.984
$750,000 - $799,999	630	2.915	77.514	488,125,698	3.815	49.799
$800,000 - $849,999	561	2.596	80.109	462,335,961	3.614	53.413
$850,000 - $899,999	533	2.466	82.575	465,805,322	3.641	57.054
$900,000 - $949,999	464	2.147	84.722	428,532,068	3.349	60.403
$950,000 - $999,999	355	1.643	86.365	346,052,097	2.705	63.108
$1,000,000 and greater	2,947	13.635	100.000	4,720,092,622	36.892	100.000
	21,613	100.000%		$12,794,310,723	100.000%	

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

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

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

A representative tax rate area in the District, Tax Rate Area 69-273, had a Fiscal Year 2022-23 assessed valuation of $3,913,773,532, which comprises 20.42% of the total District's assessed valuation. Table 8 below shows the *ad valorem* property tax rates levied by all taxing entities in Tax Rate Area 69-273 within the District from Fiscal Years 2018-19 through 2022-23.

Table 8
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates (TRA 69-273) [(1)]
Per $100 Assessed Value
Fiscal Year 2018-19 through 2022-23

	2018-19	2019-20	2020-21	2021-22	2022-23
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Cabrillo Community College District	.021023	.021172	.024746	.023703	.024048
Pajaro Valley Unified School District	.059568	.065846	.059666	.065878	.061106
Total Tax Rate	1.080591%	1.087018%	1.084412%	1.089581%	1.085154%

(1) 2022-23 assessed valuation of TRA 69-273 is $3,913,773,532 which comprises 20.42% of the total District's assessed valuation.

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and Education Code law which permitted the Prior Bonds to be approved by a 55% popular vote, bonds approved pursuant to the 2012 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved at such election will require an annual tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Refunding Bonds, the District projects that the maximum tax rate required to repay the Refunding Bonds will be within that legal limit and increases in assessed valuation pursuant to Article XIIIA estimated to occur in the future. This tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Refunding Bonds and any other series of bonds issued pursuant to the 2012 Authorization in each year.

Alternative Method of Tax Apportionment – Teeter Plan; Secured Tax Charges and Delinquency Rates

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. This alternative method is used for distribution of the *ad valorem* property tax revenues.

The County is responsible for determining the amount of the ad valorem property tax levy on each parcel in the District, which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County auditor determines the total amount of taxes (excluding levies for bonded debt and assessments) actually extended on the roll for each fund for which a tax levy has been included, and apportions 100 percent of the tax levies to that fund's credit. Such moneys may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

Under the Teeter Plan, the County establishes the Tax Loss Reserve Fund. The County determines which moneys in the County treasury (including those credited to the Tax Loss Reserve Fund) shall be available to be drawn on to the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources accounts. The tax losses reserve fund is used exclusively to cover lost income occurring as a result of tax-defaulted property. Moneys in this fund are derived from several sources. While amounts collected as costs are distributed to the County's general fund, delinquent penalty collections are distributed to the tax losses reserve fund.

When tax-defaulted property is sold, the taxes and assessments which constitute the amount required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. The pro rata share for apportioned levies is distributed to the tax losses reserve fund. The pro rata share for unapportioned levies is prorated between tax levies and assessment levies and then distributed to the applicable funds. If the tax losses reserve fund exceeds one percent (1%) of the total taxes and assessments levied on the secured roll for that year, the amounts coming in after it reaches one percent (1%) are credited to the County's general fund. Upon adoption of a resolution by the Board of Supervisors of the County by September 1 of any fiscal year, the one percent (1%) tax losses reserve fund threshold may be reduced to twenty-five percent (25%) of the total delinquent taxes and assessments for the previous year.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes on the secured roll will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety or terminate the Teeter Plan as to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the county as an interest-free offset against future advances of tax levies under the Teeter Plan. The *ad valorem* property taxes for payment of the Refunding Bonds are included in the County's Teeter Plan.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or natural or manmade disaster. However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Refunding Bonds when due.

The Board of Supervisors of Monterey County has not adopted a Teeter Plan.

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The table below shows the secured tax charge and delinquency rate for Fiscal Years 2005-06 through 2021-22. See "EMERGENCY PREPAREDNESS PROGRAM; CORONAVIRUS (COVID-19)" for information regarding Executive Order N-61-20, issued by Governor Newsom on May 6, 2020, which ended February 28, 2023, and actions of each County Treasurer relating to each County Treasurer's possible cancelation of penalties, costs, and interest to the extent a taxpayer demonstrates to the satisfaction of the Tax Collector that the taxpayer has suffered economic hardship, or was otherwise unable to tender payment of property taxes in a timely fashion due to the COVID-19 pandemic, or any local, state or federal government response to COVID-19.

Table 9
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquency Rates
Fiscal Years 2005-06 through 2021-22

Fiscal Year	Secured Tax Charge [(1)]	Amt. Del. June 30	% Del. June 30
	Santa Cruz County Portion [(2)]		
2005-06	$41,202,955	(2)	(2)
2006-07	44,153,952	(2)	(2)
2007-08	45,007,338	(2)	(2)
2008-09	42,695,867	(2)	(2)
2009-10	42,461,917	(2)	(2)
2010-11	42,627,685	(2)	(2)
2011-12	42,134,597	(2)	(2)
2012-13	43,959,592	(2)	(2)
2013-14	47,247,220	(2)	(2)
2014-15	49,908,858	(2)	(2)
2015-16	52,252,328	(2)	(2)
2016-17	54,989,421	(2)	(2)
2017-18	58,247,261	(2)	(2)
2018-19	60,935,302	(2)	(2)
2019-20	65,582,050	(2)	(2)
2020-21	66,423,633	(2)	(2)
2021-22	72,812,916	(2)	–
	Monterey County Portion		
2005-06	$2,588,808	$51,993.17	2.01%
2006-07	2,854,199	91,254.75	3.20
2007-08	3,049,185	153,435.41	5.03
2008-09	3,024,453	119,402.85	3.95
2009-10	2,865,525	86,503.68	3.02
2010-11	2,722,315	63,350.23	2.33
2011-12	2,783,868	46,881.41	1.68
2012-13	2,791,777	42,599.21	1.53
2013-14	2,858,119	31,716.61	1.11
2014-15	2,995,384	30,657.37	1.02
2015-16	3,223,953	29,021.83	0.90
2016-17	3,735,730	34,671.19	0.93
2017-18	3,968,564	34,502.04	0.87
2018-19	4,141,351	54,721.93	1.32
2019-20	4,287,586	61,746.32	1.44
2020-21	4,494,058	53,508.54	1.19
2021-22	4,668,021	61,283.13	1.31

(1) 1% General Fund apportionment.
(2) 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.

Largest Secured Property Taxpayers in District

The following table shows the 20 largest secured property taxpayers in the District as determined by secured assessed valuation in Fiscal Year 2022-23. The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

Table 10
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Largest Secured Taxpayers
Fiscal Year 2022-23

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	% of Total [(1)]
1.	Rancho Del Mar Center LLC	Shopping Center	$60,238,920	0.32%
2.	MPT of Watsonville LLC	Hospital	44,165,416	0.24
3.	Ow Family – Lee Road LLC	Industrial	30,827,150	0.17
4.	Heather Terrace Aptos LLC	Rest Home	30,680,748	0.16
5.	Freedom Associates LLC	Industrial	28,143,300	0.15
6.	Lakeside Organic Gardens LLC	Agricultural	27,973,489	0.15
7.	Blackbird Homes LLC	Residential Development	27,723,878	0.15
8.	William J. & Neva J. Hansen, Co-Trustees	Commercial	25,783,003	0.14
9.	Save Mart Portfolio Owner Fund V CA LLC	Shopping Center	25,500,000	0.14
10.	Bridge Paloma Associates LLC	Senior Apartments	24,637,802	0.13
11.	7500 Old Dominion Court Associates LLC	Hotel/Motel	23,848,355	0.13
12.	111 Jennings Drive LLC	Industrial	23,688,148	0.13
13.	V R Walker Co.	Agricultural	23,655,814	0.13
14.	Kitayama Bros. Inc.	Agricultural	23,433,997	0.13
15.	HD Development of Maryland Inc.	Commercial	22,071,836	0.12
16.	John Charles Adams	Shopping Center	21,746,453	0.12
17.	TKG III Watsonville LLC	Industrial	21,529,518	0.12
18.	31 Lassen Way LLC	Apartments	20,145,000	0.11
19.	Elite Hospitality Group LLC	Hotel/Motel	19,903,057	0.11
20.	WRI Freedom Center LP	Shopping Center	19,491,567	0.10
			$545,187,451	2.92%

[(1)] 2022-23 local secured assessed valuation: $18,664,000,955
Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Valuations

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

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by State-wide voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value).

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

In addition, Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed based on an annual basis, and applied as the assessment roll inflation factor for the assessment roll for the calendar year commencing on the next succeeding January 1. According to representatives of the County assessor's office, the County has in the past, pursuant to Proposition 8 ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future. See APPENDIX A – "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* property taxes.

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

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report as of March 1, 2023 (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated February 27, 2023. The Debt Report is included for general information purposes only. The District and the Underwriter have not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (i) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District in whole or in part; (ii) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the boundaries of the District, and (iii) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

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Table 11
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt

2022-23 Assessed Valuation: $19,161,904,232

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/23	
Cabrillo Joint Community College District	34.230%	$ 33,673,517	
Pajaro Valley Unified School District	**100.000**	**159,233,633**	(1)
Santa Cruz Libraries Facilities Community Facilities District No. 2016-1	25.753	9,471,953	
County and Special District 1915 Act Bonds	8.889-100.000	6,788,112	
Monterey County Water Resources Agency Benefit Assessment District, Zone 2C	1.414	265,196	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$209,432,411	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Santa Cruz County Certificates of Participation	32.400%	$27,526,860	
Santa Cruz County Office of Education Certificates of Participation	32.400	2,337,670	
Monterey County General Fund Obligations	1.414	1,693,599	
Monterey County Office of Education Certificates of Participation	1.414	65,228	
Pajaro Valley Unified School District Certificates of Participation	**100.000**	**11,835,000**	
City of Watsonville General Fund Obligations	100.000	3,042,043	
Pajaro Sunny Mesa Community Service Area General Fund Obligations	44.532	82,384	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$46,582,784	
Less: Monterey County supported obligations		40,336	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$46,542,448	
OVERLAPPING TAX INCREMENT DEBT:			
Watsonville Redevelopment Agency (Successor Agency)	100.000%	$5,495,000	
TOTAL OVERLAPPING TAX INCREMENT DEBT		$5,495,000	
GROSS COMBINED TOTAL DEBT		$261,510,195	(2)
NET COMBINED TOTAL DEBT		$261,469,859	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2022-23 Assessed Valuation:
Direct Debt ($159,233,633).. 1.10%
Total Direct and Overlapping Tax and Assessment Debt............. 1.09%
Combined Direct Debt ($171,068,633) 0.89%
Gross Combined Total Debt 1.36%
Net Combined Total Debt... 1.36%

Ratios to Redevelopment Incremental Valuation ($1,372,141,773):
Total Overlapping Tax Increment Debt....................................... 0.40%

(1) Excludes issue to be sold, but includes the bonds to be refunded.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

EMERGENCY PREPAREDNESS PROGRAM; CORONAVIRUS (COVID-19)

The impacts of COVID-19 have raised awareness that the value of property in the District and the ability of the Counties to collect delinquent *ad valorem* property taxes through judicial foreclosure could be adversely affected by a global, national, or localized outbreak of an infectious disease, such as the COVID-19 virus, or by the fear of such an outbreak, including such things as (i) the grant of waivers of penalties for late payment of property taxes, including *ad valorem* property taxes pledged to payment of the Refunding Bonds, to taxpayers that do not make timely payment of such property taxes, (ii) loss of employment due to supply chain slowdowns or shutdowns resulting from the unavailability of workers, or (iii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation or other services and activities related to tax payments. Further, alterations in the behavior of businesses and people due to an infectious disease can occur in a manner ultimately resulting in negative impacts on global and/or local economies, and which results in a volatile stock market response. Such events and other factors resulting from such an outbreak, particularly if prolonged, could result in, or increase the likelihood of, the occurrence of certain of the potential adverse effects described in this Official Statement, including those relating to declines in the value of property and the inability or unwillingness to pay *ad valorem* property taxes, and delays in (or insufficient funds received from) the collection of delinquent *ad valorem* property taxes through judicial foreclosure. A future outbreak of the COVID-19 virus or another infectious disease or the fear of any such outbreak could have similar or additional adverse effects. The District cannot predict the ultimate effects of the COVID-19 virus outbreak or any future outbreak or potential future outbreak of an infectious disease, or whether any such effects would have a material adverse effect on the ability of the District to pay debt service on the Refunding Bonds when due.

Likewise, the District's financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the COVID-19 virus. School districts in California are funded based on the Local Control Funding Formula (the "**Local Control Funding Formula**" or "**LCFF**"), which allocates a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. The outbreak of a highly contagious disease at one of a school district's facilities may result in a temporary shutdown of a school or the entire District, which would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes.

Furthermore, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State, and operational costs of the District. *Since the COVID-19 health crisis, the State has experienced wide variations in its projected budgets and the expenses it incurs.*

As discussed herein under "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS; RESTRUCTURING OF THE K-12 FUNDING SYSTEM – Education Funding Generally," the District receives much of its revenues from LCFF sources which are comprised of local property taxes and State moneys. As the State experienced a decline in revenue as a consequence of the impacts of COVID-19, there was a resulting decline in revenue available for funding school districts.

Additional Information. In the event of a global, national, or localized outbreak of an infectious disease, such as the COVID-19 virus, the ultimate geographic spread of the infectious disease or virus, the duration and severity of the health crisis, and the economic and other actions that may be taken by governmental authorities to contain a health crisis or to treat its impact are uncertain. The District is unable to predict at this time if in connection with COVID-19 or other infectious disease, there will be any new proposals enacted or in what form they may take, or whether any new requirements related to reducing the spread of COVID-19 or other infectious disease will materially impact its finances or operations. Additional information with respect to events surrounding the health crisis of COVID-19 and responses thereto can be found on federal, State, and local government websites, including but not limited to the CDC (https://www.cdc.gov), the Governor's office (https://www.gov.ca.gov), the California Department of Public Health (https://covid19.ca.gov/) and the local County health agency (https://santacruzhealth.org). The information on these websites is not incorporated by reference herein, and neither the District nor the Underwriter can take any responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein. The COVID-19 emergency declared by the State ended February 28, 2023.

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19 or another pandemic, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, State, and national economies or the assessed valuation of property within the District, or adversely impact enrollment or average daily attendance within the District. See also "TAX BASE FOR REPAYMENT OF REFUNDING BONDS" herein. For a description of the impact of COVID-19 on the State Budget and programs for school districts, see APPENDIX A – "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION – STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS – Recent State Budgets – *2022-23 State Budget*."

TAX MATTERS

Tax Exemption – Opinion of Bond Counsel

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, compliance with certain representations and with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("**Code**"). In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Refunding Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Refunding Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Bond Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds. Certain requirements and procedures contained or referred to in the Bond Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to the effect on any Refunding Bond or the interest thereon if any such change occurs or action is taken upon advice or approval of bond counsel other than Bond Counsel.

In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from personal income taxation imposed by the State.

Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds.

Owners of the Refunding Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may have federal or State tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or State tax consequences arising with respect to the Refunding Bonds other than as expressly described above. See APPENDIX D – "PROPOSED FORM OF OPINION OF BOND COUNSEL" for the proposed form of the opinion of Bond Counsel.

The opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the District, approving the validity of the Refunding Bonds, in substantially the form appearing in APPENDIX D hereto, will be supplied to the original purchasers of the Refunding Bonds without cost. See APPENDIX D – "PROPOSED FORM OF OPINION OF BOND COUNSEL" for the proposed form of the opinion of Bond Counsel. A copy of the opinion of Bond Counsel will be attached at the end of each Refunding Bond. The payment of fees of Bond Counsel is contingent upon the closing of the Refunding Bonds transaction.

Bond Counsel's employment is limited to a review of the legal proceedings required for the authorization and issuance of the Refunding Bonds and to rendering an opinion as to the validity of the Refunding Bonds, the exclusion from gross income for federal income tax purposes of interest on the Refunding Bonds and the exemption of interest paid on the Refunding Bonds from State personal income taxation. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Refunding Bonds and expresses no opinion relating thereto.

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

Although Bond Counsel has rendered an opinion that interest on the Refunding Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Refunding Bonds may otherwise affect the recipient's federal or state tax liability. Owners of the Refunding Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may have federal or state tax consequences other than as described above. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Bond Counsel expresses no opinion regarding any federal or State tax consequences arising with respect to the Refunding Bonds other than as expressly described above.

Original Issue Discount; Premium Bonds

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

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

Information Reporting; Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007, on federally tax-exempt obligations, including the Refunding Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing Refunding Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Refunding Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's federal income tax once the required information is furnished to the IRS. Bond Counsel provides no opinion concerning such reporting or withholding with respect to the Refunding Bonds.

Internal Revenue Service Audit of Federally Tax-Exempt Bond Issues

The IRS has undertaken a program for the auditing of federal tax-exempt bond issues, including both random and targeted audits. It is possible that the Refunding Bonds will be selected for audit by the IRS. It is also possible that the market value of the Refunding Bonds might be affected as a result of such an audit of the Refunding Bonds (or by an audit of similar bonds or securities).

Impact of Legislative Proposals and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest paid on the Refunding 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 Owners of the Refunding Bonds from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of, or marketability of, the Refunding Bonds. In recent years, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Refunding Bonds. Prospective purchasers of the Refunding 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.

As discussed in this Official Statement, under the above caption "Tax Exemption – Opinion of Bond Counsel," interest on the Refunding Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Refunding Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Bond Resolution. Should such an event of taxability occur, the Refunding Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under the other redemption provisions contained in the Bond Resolution.

Other Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Refunding Bonds for federal or state income tax purposes, and thus on the value or marketability of the Refunding Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment affecting Owners of the Refunding Bonds may occur. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding the impact of any such events on the Refunding Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Refunding Bonds may affect the tax status of interest paid on the Refunding Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Refunding Bonds, or the interest thereon, if any action is taken with respect to the Refunding Bonds or the proceeds thereof upon the advice or approval of other counsel.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF THE REFUNDING BONDS.

CERTAIN LEGAL MATTERS

Continuing Disclosure

The District has covenanted, for the benefit of owners and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board on an annual basis (an "**Annual Report**") not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2024, with the report for the 2022-23 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and other required notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**") in the manner prescribed by the Securities Exchange Commission. The form of Continuing Disclosure Certificate is attached as APPENDIX E. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Within the past five years, the District filed the annual reports, audits, and operating data in a timely manner, except that (i) the filings due not later than February 28, 2019, were filed on March 4, 2019, (ii) the operating data filed with respect to the District's Fiscal Year 2019-20 omitted information regarding fund balances as provided for by the continuing disclosure undertaking relating to the 2020 Refunding Bonds, and (iii) the District's audited Fiscal Year 2019-20 financial statements were not available by the applicable filing date so the District filed the unaudited financial statements for Fiscal Year 2019-20 by such date as provided for by its disclosure undertakings and filed the audited financial statements for Fiscal Year 2019-20 on June 28, 2021. The District has filed an addendum to provide information not included in the Fiscal Year 2019-20 annual report. As noted previously in the Official Statement, the District's audited financial statements for the Fiscal Year ending June 30, 2022, are expected to be presented to the District's Board at its May 24, 2023 meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly thereafter. The District filed its unaudited Fiscal Year 2021-22 financial statements as provided for by its disclosure undertakings by the applicable filing deadline.

In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Refunding Bonds, the District has engaged Dale Scott & Company, Incorporated, as dissemination agent, with respect to each of its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with the Refunding Bonds.

Limitations on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX D, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The rights of the Owners of the Refunding Bonds are subject to certain limitations. Enforceability of the rights and remedies of Beneficial Owners of the Refunding Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the California Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts of the State. Bankruptcy proceedings, if initiated, could subject the Beneficial Owners of the Refunding Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "**Bankruptcy Code**"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Bond Resolution and the State law require each County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Refunding Bonds. The applicable County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Refunding Bonds and may invest these funds in the County's Treasury Pool, as described above. In the event the District or the County were to enter into bankruptcy proceedings, a federal bankruptcy court might hold that the owners of the Refunding Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Refunding Bonds unless the Owners of the Refunding Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payment on the Refunding Bonds.

State Senate Bill 222

SB 222 (as previously defined) was introduced on February 12, 2015, initially to amend Section 15251 of the Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of State school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the District were to become a debtor in a Chapter 9 proceeding, because the Refunding Bonds are for the financing of specific capital projects and are supported by a consensual lien on *ad valorem* property taxes that are use-restricted to the repayment of the Refunding Bonds, the District believes that those taxes are "special revenues" as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of Owners of the Refunding Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition has historically been understood not to stay the application of special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal and interest to Owners of the Refunding Bonds likely would continue under 11 U.S.C. § 922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the District were to become a debtor in a Chapter 9 proceeding, the District believes that: the *ad valorem* property taxes could not be used for any other purpose other than repayment of the Refunding Bonds; the *ad valorem* property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus Owners of the Refunding Bonds would ordinarily continue to be paid post-petition; and the *ad valorem* property taxes are also protected by a statutory lien in favor of the Owners of the Refunding Bonds. However, bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceedings may thus be prohibited from taking any action to collect any amount from the District (including *ad valorem* property tax revenues), or to enforce any obligation of the District, without the bankruptcy court's permission. It is also possible that the bankruptcy court may not enforce the state law use restriction imposed on *ad valorem* property taxes.

Even if the *ad valorem* property tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* property tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the Owners of the Refunding Bonds. It should also be noted that it is possible – in the context of confirming a Plan of Adjustment (the "**Plan**") in a Chapter 9 case where the Plan has not received the requisite consent of the Owners of the Refunding Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Refunding Bonds or the interest rate or other terms of the Refunding Bonds provided that (a) the Owners of the Refunding Bonds retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Refunding Bonds' terms are fair and equitable.

The Bond Resolution and the Government Code require each County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Refunding Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Refunding Bonds and may invest these funds in the County's Investment Pool, as described in APPENDIX F – "SANTA CRUZ COUNTY INVESTMENT POLICY" and APPENDIX G – "QUARTERLY INVESTMENT REPORT" herein. In the event the District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the Owners of the Refunding Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which might include taxes that have been collected and deposited in the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Refunding Bonds unless the Owners of the Refunding Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the Owners of the Refunding Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in payments on the Refunding Bonds

Legality for Investment in California

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

Absence of Material Litigation

No litigation is currently pending or threatened, to the knowledge of the District, concerning the validity of the Refunding Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Refunding 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 execute and deliver the Refunding Bonds.

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. District funds do not act as security for bond payments.

RATING

Rating of the Refunding Bonds. Moody's Investors Services ("**Moody's**") has assigned an issue rating of "Aa3" to the Refunding Bonds. The rating agency may have obtained and considered information and material which has not been included in this Official Statement.

Change in Rating. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies, and assumptions made by a rating agency. The rating is not a recommendation to buy, sell, or hold the Refunding Bonds. The rating reflects only the view of the rating agency with respect to its rating, and an explanation of the significance of such rating may be obtained from it. Some information provided to the rating agency by the District may not appear in this Official Statement. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely or placed under review, "credit alert" or equivalent action(s) by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any downward revision, withdrawal, or placement on review, "credit alert," or equivalent action(s) of a rating may have an adverse effect on the market price for the Refunding Bonds. The Underwriter and the District have not undertaken any responsibility after the offering of the Refunding Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal. Prospective purchasers of the Refunding Bonds are required to make independent determinations as to the credit quality of the Refunding Bonds and their appropriateness as an investment.

UNDERWRITING

The Refunding Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed to purchase the Refunding Bonds at a price of $29,090,715.40 (which price is equal to the aggregate principal amount of the Refunding Bonds, plus net original issue premium of $974,467.90, less an Underwriter's discount of $98,752.50). The Purchase Agreement pursuant to which the Underwriter has agreed to purchase the Refunding Bonds provides that the Underwriter will purchase all of the Refunding Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Refunding Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

Fees payable to certain professionals, including the Underwriter, Norton Rose Fulbright US LLP, as Underwriter's Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, as Bond Counsel, Dale Scott & Company, Incorporated, as Municipal Advisor, and U.S. Bank Trust Company, National Association, as Paying Agent and as Escrow Bank, are contingent upon the issuance of the Refunding Bonds. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the Refunding Bonds.

ADDITIONAL INFORMATION

The reference herein to the Bond Resolution, Continuing Disclosure Certificate and other legal documents 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 said documents. Copies of the documents are available from the Underwriter prior to initial sale of the Refunding Bonds and following delivery of the Refunding Bonds will be on file at the offices 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 Refunding Bonds.

EXECUTION

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

By: /s/ Michelle Rodriquez
Michelle Rodriguez, Ph.D., Superintendent

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APPENDIX A

INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION

This Appendix contains a general description of the School District (as defined below), its employees, enrollment history, retirement programs, and general fund finances.

Principal of and interest on the Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds (the "**Refunding Bonds**") are payable from the proceeds of an *ad valorem* property tax levied by Santa Cruz County and Monterey County (each a "**County**" and together, the "**Counties**") with respect to the property within the boundaries of the Pajaro Valley Unified School District (the "**District**" or **School District**"), which boundaries encompass an approximately 150-square mile area in southern Santa Cruz County plus a small contiguous part of Monterey County for the payment thereof. See "THE REFUNDING BONDS – Security" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution of the State of California (the "**State**"), Propositions 1A, 2, 22, 26, 30, 39, 55, 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 each County to levy taxes and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of each County to levy taxes for payment of the Refunding Bonds. The tax levied by each County for payment of the Refunding Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws. The capitalized terms used in this Appendix and not otherwise defined shall have the meaning ascribed thereto in the forepart of this Official Statement.

THE DISTRICT

The information in this section concerning the operations of the District 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 Refunding Bonds is payable from the general fund or any other funds of the District. Principal of and interest on the Refunding Bonds are payable from the proceeds of an ad valorem property tax required to be levied by each County on taxable property within the boundaries of the School District in an amount sufficient for the payment thereof. See "THE REFUNDING BONDS – Security" herein.

General Information

The District is a unified school district established on June 12, 1964. The District provides public education for grades TK through 12, as well as child development and adult education, over a 150-square mile area in the County, plus a small contiguous part of Monterey County. The District currently operates 16 elementary schools, six middle schools, three high schools, a continuation high school, a community day school, an adult education school, twelve childcare centers, and a migrant education program. In addition, there are four dependent charter schools and two independent charter schools operating within the District's boundaries. TK-12 annual average daily attendance in the District is approximately 14,329, excluding charter schools and County Office of Education students and approximately 1.895, charter schools and the County Office of Education students for Fiscal Year 2022-23.

Administration

The District is governed by a seven-member Governing Board, each member of which is elected to a four-year term by voters in seven trustee areas. Elections for positions to the Governing Board are held every two years, alternating between three and four available positions. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election. Current members of the Governing Board, their office and trustee area, and the date their term expires, are listed below.

GOVERNING BOARD
PAJARO VALLEY UNIFIED SCHOOL DISTRICT

Name	Office/Trustee Area	Current Term Expires
Jennifer Holm	President, Trustee Area VII	December 2026
Georgia Acosta	Vice President/Clerk, Trustee Area II	December 2024
Kim De Serpa	Trustee, Trustee Area I	December 2026
Oscar Soto	Trustee, Trustee Area III	December 2024
Daniel Dodge, Jr.	President, Trustee Area IV	December 2026
Olivia Flores	Trustee, Trustee Area V	December 2026
Adam Bolanos Scow	Trustee Area VI	December 2024

Superintendent and Administrative Personnel. The day-to-day operations are managed by a board-appointed Superintendent of the District, and District finances are managed by the Chief Financial Officer. Michelle Rodriguez, Ph.D. is the District Superintendent, and Clint Rucker is the District's Chief Business Officer.

STATE FUNDING OF SCHOOL DISTRICTS; RESTRUCTURING OF THE K-12 FUNDING SYSTEM

The information in this section concerning the operations of the School District and the School District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Refunding Bonds is payable from the general fund of the School District. The Refunding Bonds are payable solely 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 "THE REFUNDING BONDS – Sources of Payment for the Refunding Bonds" in the forepart of this Official Statement.

Education Funding Generally

School districts in California receive operating income primarily from two components: a State-portion funded from the State's general fund and a locally-generated portion which is derived from the school district's share of the one percent (1%) general *ad valorem* property tax levy authorized by the State Constitution. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The Fiscal Year 2013-14 State budget package (the "**2013-14 State Budget**") replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead 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. [(2)] The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The Base Grants are based on four uniform, grade-span rates. For Fiscal Year 2022-23, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $9,166 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $9,304 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $9,580 per A.D.A. for grades 7 and 8; and (d) a Target Base Grant for each LEA equivalent to $11,102 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants, and Concentration Grants will be subject to the discretion of the State.

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

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

- An economic recovery target that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the Fiscal Year 2007-08 revenue limit per unit of ADA), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the economic recover target.

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

The LCFF was implemented for Fiscal Year 2013-14 and was phased in gradually over the course of several years, with the LCFF being fully implemented following the passage of the 2018-19 State Budget Act. During the implementation period of the LCFF, an annual transition adjustment was required to be

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[(2)] In Fiscal Year 2020-21 and Fiscal Year 2021-22, Funding for ADA remained the same as 2019-20 due to the ADA hold harmless provided in the 2020-21 State Budget. The 2022-23 State Budget also includes a provision that allows funding for ADA to be based off of the higher of: (i) the average ADA for the prior three fiscal years, or (ii) the higher of the current or immediately prior fiscal year. See "EMERGENCY PREPAREDNESS PROGRAM; CORONAVIRUS (COVID-19)" in the forepart of this Official Statement.

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.

The Fiscal Year 2022-23 amounts include (i) an LCFF cost-of-living adjustment of 6.56%, the largest cost-of-living adjustment in the history of LCFF, (ii) $4.32 billion ongoing Proposition 98 General Fund to increase LCFF base funding by an additional 6.28%, and (iii) $101.2 million ongoing Proposition 98 General Fund to augment LCFF funding for county offices of education. other State funding.

The target LCFF amounts for State school districts and charter schools based on grade levels and Targeted Students projected for Fiscal Year 2022-23 LCFF Revenues assuming 100% Funding of targeted students are shown below. The School District's actual ADA may be affected by the caseloads outbreak of COVID-19. See "EMERGENCY PREPAREDNESS PROGRAM; CORONAVIRUS (COVID-19)" in the forepart of this Official Statement.

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Table A-1
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Year 2022-23 Grade Span Funding [1]

Average Assuming 100% Targeted Students

	COLA & Augmentation	Base Grant Proration	Unduplicated Pupil Percentage	
Calculation Factors	13.26%	0.00%	81.5%	81.5%

	ADA	Base Grant	Grade Span	Supplemental Grants	Concentration Grants	Total
Grades TK-3	4,842.50	$9,166	$953	$1,649	$1,743	$65,428,930
Grades 4-6	3,751.94	9,304		1,517	1,603	46,610,974
Grades 7-8	2,549.00	9,580		1,562	1,650	32,606,030
Grades 9-12	5,179.96	11,102	289	1,857	1,962	78,786,325
Subtract Necessary Small School ADA and Funding	--	--	--	--	--	--
Total Base, Supplemental, and Concentration Grant		$161,221,741	$6,111,911	$27,275,385	$28,823,222	$223,432,259
N55 Allowance	--	--	--	--	--	--
TOTAL BASE [2]	16,323.40	$161,221,741	$6,111,911	$27,275,385	$28,823,222	$223,432,259
ADD ONS:						
Targeted instructional Improvement Block Grant						$1,088,877
Home to School Transportation (COLA added commencing 2023-24)						2,673,110
Small School District Bus Replacement Program (COLA added commencing 2023-24)						
Transitional Kindergarten (commencing 2022-23)						402,428
ECONOMIC RECOVERY TARGET PAYMENT						--
LCFF ENTITLEMENT						**$227,596,674**

[1] LCFF Calculator 2022-23.
[2] Totals may not add due to rounding.
Source: California Department of Education.

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

Local Control Accountability Plans. Beginning July 1, 2014, school districts were required to develop a three-year Local Control and Accountability Plan (each, an "**LCAP**"). Each LCAP must be developed with input from teachers, parents, and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the school district's budget to ensure adequate funding is allocated for the planned actions.

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

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

For charter schools, the charter authorizer is required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through State-wide 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.

[1] Due to the COVID-19 pandemic, for Fiscal Year 2020-21, Governor Newsom issued Executive Order N-56-20 which extended the deadline for adoption of the 2020-21 LCAP from July 1, 2020, to December 15, 2020, and school districts were required to adopt a Learning Continuing and Attendance Plan in lieu of the traditional LCAP. The deadline for approval of the Learning Continuing and Attendance Plan was September 30, 2020, and it was approved by the Board on September 23, 2020. The Learning Continuity and Attendance Plan provided an overview of changes to program offerings, distance learning implementation, and operational changes to meet students' needs.

DISTRICT FINANCIAL INFORMATION

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

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. Significant accounting policies followed by the School District are explained in Note 1 to the District's audited financial statements for the Fiscal Year ended June 30, 2021, which are included as Appendix B. *The District's audited financial statements for the Fiscal Year ending June 30, 2022, are expected to be presented to the District's Board at its May 24, 2023, meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly thereafter.*

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

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. Delinquent *ad valorem* property taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The 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.

Financial Statements

General. The District's general fund finances the legally authorized activities of the School 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. Audited Financial Statements for the fiscal year ending June 30, 2021, were prepared by EideBailly LLP, Palo Alto, California (the "**Auditor**"). Audited financial statements for the District for the Fiscal Year ended June 30, 2021, and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. *The District's audited financial statements for the Fiscal Year ending June 30, 2022, are expected to be presented to the District's Board at its May 24, 2023, meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly thereafter.*

See APPENDIX B hereto for the Audited Financial Statements for Fiscal Year 2020-21. The District has not requested, and the auditor has not provided, any additional review of such financial statements in connection with their inclusion in the Official Statement. The School District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31, following the close of each fiscal year. [1] Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District may impose a charge for copying, mailing, and handling.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows information from the District's audited income and expense statements for Fiscal Years 2017-18 through 2020-21 and unaudited income and expense statements for Fiscal Year 2021-22.

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[1] Due to the COVID-19 pandemic, the deadline for the June 30, 2020, audited financial statements was extended to March 31, 2021, and the deadline for the June 30, 2021, audited financial statements was extended to January 31, 2022. Due to auditor staff shortage, the deadline for the June 30, 2022, audited financial statements was extended to April 2023.

Table A-2
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2017-18 through 2020-21 (Audited) and 2021-22 (Unaudited Actuals)

	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21	Unaudited Actuals 2021-22
Revenues					
Total Revenue Limit Sources/LCFF	$175,178,456	$186,749,410	$192,293,045	$188,572,551	$203,845,300.76
Federal Revenues	21,764,363	19,779,211	17,696,996	36,944,668	38,337,178.05
Other State revenues	33,233,457	43,982,350	37,954,560	53,324,265	53,015,774.31
Other local revenues	4,501,002	4,253,692	3,951,151	4,094,105	6,669,933.43
Total Revenues	$234,677,278	$254,764,663	$251,895,752	$282,935,589	$301,868,186.55
Expenditures					
Instruction	$145,402,125	$154,973,596	$150,758,228	$146,441,384	$160,095,536.52
Instruction-related services:					
Supervision of instruction	21,329,515	22,812,973	22,425,289	19,934,290	18,621,501.31
Library, media and technology	4,135,962	4,591,460	4,438,169	11,178,079	7,989,395.23
School site administration	13,683,023	14,732,014	14,558,760	14,331,945	15,153,536.23
Pupil services:					
Home-to-school transportation	7,198,452	7,584,000	7,906,105	6,894,558	9,542,269.26
Food services	0	0	13,934	241,965	436,543.58
All other pupil services	19,266,190	22,607,262	23,039,710	25,097,480	27,918,642.47
General administration:					
Data processing services	2,672,369	3,209,782	3,188,892	2,918,565	3,306,142.15
All other general administration	7,816,575	8,474,453	6,949,601	7,249,716	7,595,781.96
Plant services	20,915,263	23,040,051	19,615,696	12,131,513	20,810,016.89
Facilities acquisition and maintenance	2,558,377	2,674,217	2,711,592	2,490,955	3,940,440.10
Ancillary services	30,597	16,457	22,210	5,984	3,611,340.13
Community services	726,759	442,694	214,817	216,027	9,969.48
Other outgo	5,407,308	1,645,632	4,456,922	11,786,632	0
Debt service: principal	596,692	445,523	825,000	540,000	483,183.94
Debt service: interest	19,625	8,026	836,753	800,687	589,999.11
Total Expenditures	$251,758,832	$267,258,140	$261,961,678	$262,259,780	$280,254,298.36
Excess of Revenues Over/(Under) Expenditures	($17,081,554)	($12,493,477)	($10,065,926)	$20,675,809	$21,613,888.19
Other Financing Sources (Uses)					
Operating transfers in	$85,919	$102,684	$1,897,467	$188,555	$0.00
Operating transfers out [(1)]	(631,373)	(509,157)	(207,515)	(98,982)	(0.00)
Other Sources	0	0	0	0	1,550,162.34
Total Other Fin. Source (Uses)	($545,454)	($406,473)	$1,689,952	$89,573	$1,550,162.34
Net change in fund balance	($17,627,008)	($12,899,950)	($8,375,974)	$20,765,382	$20,063,725.85
Fund Balance, July 1	$57,586,364	$39,959,356	$27,059,406	$18,683,432	$39,678,798 [(2)]
Fund Balance, June 30	$39,959,356	$27,059,406	$18,683,432	$39,448,814	$59,742,523.85

(1) Contribution to charter school, child development department and Migrant Seasonal Head Start.

(2) The beginning fund balance for the unaudited actuals for Fiscal Year 2021-22 has been adjusted from the Fiscal Year 2020-21 audited financials June 30, 2021 ending balance due to an adjustment subsequent to preparation of the Fiscal Year 2020-21 audited financials.

Source: Pajaro Valley Unified School District Audit Report Fiscal Years 2017-18 through 2020-21 and unaudited financials Fiscal Year 2021-22.

District Budget and Interim Financial Reporting

Budgeting – Education Code Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("**AB 1200**"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

See APPENDIX A – "INFORMATION RELATING TO THE PAJARO VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND FINANCIAL INFORMATION – STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS – Recent State Budgets – *2022-23 State Budget*."

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before September 15, the county superintendent will approve, conditionally approve, or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than November 8, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budgets have been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

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 Approval/Disapproval and Certification History. The School District's most recent Interim Financial Report has received a "positive" certification pursuant to AB 1200, and the School District has projected positive ending balances in Fiscal Year 2022-23 through 2024-25 in its Fiscal Year 2022-23 budget.

Since the 2017-18 Fiscal Year, except for the first interim report for Fiscal Year 2020-21, which had a qualified certification, the District has certified its interim reports as positive. The qualified status was self-identified at the first interim, however, the District had a plan to be positive by the second interim which was achieved. On January 28, 2021, the District submitted a Fiscal Stabilization Plan to the Santa Cruz County Office of Education which showed that if a projected $3.84 cost of living adjustment were realized for Fiscal Year 2021-22, the District's shortfall of $3.3 million would be covered and the District would return to positive status. The District returned to positive status for the second interim report for Fiscal Year 2020-21. Except with respect to the Fiscal Year 2020-21 first interim qualified certification, the District has maintained positive fund balances throughout that time period and has implemented fiscal stabilization and efficiency initiatives which have increased the District's fiscal stability.

Certain changes to District revenues and/or expenditures could result in declines to general fund reserves in future years. The District cannot predict and will have no control over how the 2022-23 State Budget or State budget adopted for Fiscal Year 2023-24 will ultimately affect the funding of K-12 school districts. The Refunding Bonds are payable from the proceeds of an *ad valorem* property tax required to be levied in the District by each County which in the aggregate is in an amount sufficient for the payment of the Refunding Bonds and is not dependent upon receipt of moneys from the State. See THE "REFUNDING BONDS – Security" in the forepart of this Official Statement.

District's 2022-23 General Fund Budget. The following table shows the income and expense statements for the District's general fund budgets (adopted, audited, unaudited, or second interim budget, as applicable) for fiscal years ending June 30, 2018, through June 30, 2023. The District approved the Second Interim Budget at their meeting on March 14, 2023.

Table A-3
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Revenues, Expenditures and Changes in Fund Balance [(1)]
Fiscal Years 2019-20 through 2021-22 (Adopted Budget and Audited Actuals),
And Fiscal Year 2022-23 (Adopted Budget and Second Interim Report)

Revenues	Adopted Budget 2019-20	Audited Actuals 2019-20	Adopted Budget 2020-21	Audited Actuals 2020-21	Adopted Budget 2021-22	Unaudited Actuals 2021-22	Adopted Budget 2022-23	2nd Interim Report 2022-23
LCFF	$192,166,227	$192,293,045	$174,369,344	$188,572,551	$197,060,405	$203,845,301	$212,983,015	$230,596,674
Federal Revenues	20,683,864	17,696,996	24,289,327	36,944,668	21,679,046	38,337,178	54,891,011	61,840,800
Other State Revenues	30,330,017	37,954,560	27,495,222	53,324,265	42,445,469	53,015,774	40,947,147	61,921,843
Other Local Revenues	1,306,217	3,951,151	1,908,357	4,094,105	753,589	6,293,104	2,825,555	6,382,660
Total Revenues	$244,486,325	$251,895,752	$228,062,250	$282,935,589	$261,938,509	$301,491,357	$311,646,728	$360,741,977
Expenditures								
Certificated Salaries	$92,491,334	$91,651,341	$82,286,015	$90,424,169	$90,036,756	$96,260,751	$101,803,827	$114,143,142
Classified Salaries	41,663,570	40,816,405	39,105,797	38,925,234	41,742,615	42,496,811	48,674,375	57,866,506
Employee Benefits	90,575,463	91,785,334	75,469,886	87,426,170	94,899,754	92,990,709	105,201,489	108,612,878
Books and Supplies	11,699,415	12,049,845	11,043,668	16,563,476	12,218,946	12,620,326	21,693,678	25,923,303
Contract Services & Operating Exp.	19,105,117	21,005,770	18,775,050	25,994,172	20,004,340	32,151,278	30,666,166	52,349,693
Capital Outlay	3,905,000	4,533,612	3,201,519	2,715,684	2,912,714	3,921,312	14,385,522	10,853,184
Other Outgo (excluding indirect costs)	210,000		1,385,762	0	1,525,000	1,223,183	210,000	210,000
Other Outgo – Transfers of Indirect Costs	(1,138,627)	0	(1,227,036)	0	(1,464,782)	(965,467)	(1,098,762)	(1,382,642)
Other Uses	1,661,753	0	0	0	0	0	1,073,220	1,238,220
Debt Service – principal	0	119,371	0	210,875	0	0	0	0
Debt Service - interest	0	0	0	0	0	0	0	0
Total Expenditures	$260,173,025	$261,961,678	$230,040,661	$262,259,780	$261,875,343	$280,698,902	$322,609,515	$369,814,284
Excess of Revenues Over/(Under) Expenditures	($15,686,700)	($10,065,926)	($1,978,411)	$20,675,809	$63,166	$20,792,455	($10,962,787)	($9,072,307)
Other Financing Sources (Uses)								
Operating transfers in	$183,152	$1,897,467	$1,250.000	$188,555	$1,250,000	$376,830	$1,250,000	$2,753,878
Operating transfers out	(671,703)	(207,515)	(364,185)	(98,982)	(164,388)	(1,105,343)	(71,642)	(4,205,140)
Total Other Financing Sources/(Uses)	$(488,551)	$1,689,952	$885,815	$89,573	$1,085,612	($728,514)	$1,178,358	($1,451,262)
Net change in fund balance	($16,175,251)	($8,375,974)	($1,092,596)	($20,765,382)	$1,148,778)	$20,063,941	($9,784,429)	($10,523,569)
Fund Balance, July 1	$26,350,313	$27,059,406	$17,345,370	$18,683,432	$59,923,611	$39,448,814	$48,262,909	$59,742,519
Fund Balance, June 30	$10,175,062	$18,683,432	$16,252,774	$39,448,814	$61,072,389	$59,742,739	$38,478,480	$49,218,952

[(1)] Totals may not sum due to rounding.
Source: Pajaro Valley Unified School District.

District Reserves. In general, the State requires that the California school districts maintain the equivalent of 3% of annual general fund expenditures in reserve to be available during financial crisis. 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. The District maintains an unrestricted reserve which meets or exceeds the State's minimum requirements.

In connection with legislation adopted in connection with the State's Fiscal Year 2014-15 Budget ("**SB 858**"), the Education Code was amended to provide that, beginning in Fiscal Year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 State-wide election, which limits the amount of reserves which may be maintained at the school district level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 (as defined below) reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board of Education (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the Santa Cruz County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01. See, "STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS – Recent State Budgets – 2023-24 Proposed State Budget" for a description of the 2023-24 Proposed State Budget projections of deposits into the Rainy Day Fund. The California Department of Education has indicated that as a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserve had been triggered for the 2022-23 budget period pursuant to Education Code Section 4217.01(e). Beginning with the Fiscal Year 2022-23, the district reserve cap requires that a school district's adopted or revised budget pursuant to Education Code Section 42127 shall not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. Assigned and unassigned balances within the Special Fund for Other than Capital Outlay will also be included within the 10% reserve cap.

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Average Daily Attendance – LCFF Funding

Funding Trends per ADA. As described herein, prior to Fiscal Year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of ADA. Under the prior system, California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "**base revenue limit**" per student multiplied by the school district's student enrollment measured in unit of ADA. 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.

Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. The following table sets forth recent ADA and LCFF funding for the School District for Fiscal Years 2013-14 through 2024-25.

Table A-4
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
ADA and Enrollment
Fiscal Years 2013-14 through 2024-25

Fiscal Year	ADA(1)	Total LCFF Funding	LCFF Funding Per ADA	Enrollment	% Change
2013-14	17,540	$125,821,615	$7,173.41	20,362	-
2014-15	17,434	141,201,506	8,099.20	20,438	0.4
2015-16	17,454	161,502,820	9,253.05	20,354	(0.4)
2016-17	17,410	170,912,184	9,816.90	20,283	(0.4)
2017-18	17,428	175,423,346	10,065.60	20,247	(0.2)
2018-19	17,391	187,588,103	10,786.50	20,042	(1.0)
2019-20	17,023	192,099,394	11,284.70	19,219	(4.0)
2020-21 (2)	16,851	295,676,216	11,612.00	18,707	(2.7)
2021-22 (2)	16,659	203,801,036	12,233.52	16,600	(0.11)
2022-23 (3)	16,323	227,596,674	13,942.97	15,908	(0.04)
2023-24 (4)	15,557	236,203,519	15,183.48	15,577	(0.02)
2024-25 (4)	14,786	232,951,984	15,754.88	15,187	(0.03)

(1) Except for Fiscal Years 2020-21 and 2021-22, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. ADA excludes County Office of Education students and dependent and independent charter school students.
(2) Except for Fiscal Years 2020-21 and 2021-22, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school years.
(3) ADA in 2020-21 remains the same as in 2019-20 due to the ADA hold harmless provided in the 2020-21 State Budget. The 2022-23 State Budget also includes a provision that allows funding for ADA to be based off of the higher of: (i) the average ADA for the prior three fiscal years, or (ii) the higher of the current or immediately prior fiscal year.
(4) Projected at Second Interim Budget.

Source: Pajaro Valley Unified School District.

The following table shows a breakdown of the District's ADA for purposes of the Local Control Funding Formula by grade span, total enrollment, and the percentage of English Language & Literacy Intensive ("**EL/LI**") student enrollment for Fiscal Years 2015-16 to 2024-25.

TABLE A-5
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Local Control Funding Formula ADA, Enrollment and EL/LI Enrollment Percentage
Fiscal Year 2015-16 to 2024-25

	Average Daily Attendance (1)					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment (2)	Unduplicated% of EL/LI Enrollment (2)
2015-16(3)	5,812.23	4,289.44	2,568.83	4,783.66	17,454.16	18,284	79.02%
2016-17(3)	5,652.51	4,320.29	2,606.91	4,831.04	17,410.75	18,300	77.14
2017-18(3)	5,644.36	4,262.29	2,652.42	4,870.39	17,429.56	18,191	78.75
2018-19(3)	5,483.56	4,128.50	2,628.51	4,979.02	17,219.59	17,933	81.34
2019-20(3)	5,345.29	3,950.15	2,678.08	5,065.89	17,039.41	17,585	81.19
2020-21(3)	5,043.06	3,830.19	2,636.76	5,147.90	16,657.91	17,126	79.14
2021-22(3)(4)	5,043.11	3,832.24	2,635.90	5,147.98	16,659.23	16,600	81.70
2022-23(5)	4,842.50	3,751.94	2,549.00	5,179.96	16,323.40	15,908	83.63
2023-24(5)	4,503.64	3,558.79	2,394.35	5,099.83	15,556.61	15,577	82.49
2024-25(5)	4,165.81	3,365.60	2,240.07	5,014.54	14,786.02	15,187	81.56

(1) Except for Fiscal Years 2020-21 through 2022-23, ADA is as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. ADA includes County of Education Operated Schools. For the 2019-20 school year, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019. through February 29, 2020. See "EMERGENCY PREPAREDNESS PROGRAM; CORONAVIRUS (COVID-19)" in the forepart of this Official Statement. The 2022-23 State Budget also includes a provision that allows funding for ADA to be based off of the higher of: (i) the average ADA for the prior three fiscal years, or (ii) the higher of the current or immediately prior fiscal year.

(2) As of October report submitted to the CALPADS in each school year.

(3) Actuals.

(4) ADA remains the same in 2021-22 as in 2020-21 due to the ADA hold harmless provided in the 2020-21 State Budget. The 2022-23 State Budget also includes a provision that allows funding for ADA to be based off of the higher of: (i) the average ADA for the prior three fiscal years, or (ii) the higher of the current or immediately prior fiscal year.

(5) Projected.

Source: Pajaro Valley Unified School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students for Fiscal Year 2022-23 is approximately 83.83% for purposes of calculating supplemental and concentration grant funding under LCFF.

Revenue Sources

The District generally categorizes its general fund revenues into four sources, 1) LCFF, (2) federal revenues, (3) other State revenues, and (4) other local revenues. Each of these revenue sources is described below.

LCFF Sources. Funding of the District's local control 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.

Local Control Funding Formula revenues are expected to comprise approximately 64% of the School District's general fund revenues in 2022-23. The School District anticipates that it will receive approximately $167,333,652 million in base grant funding and $56,098,607 million in supplemental and concentration grant funding. The School District also anticipates receiving additional moneys for transportation, the K-3 GSA grant and the 9-12 augmentation.

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

Beginning in Fiscal Year 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collected all property taxes (except for levies to support prior voter-approved indebtedness) and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. Property taxes collected by the County which are used to pay the principal of and interest on general obligation bonds do not constitute local property taxes for purposes of being applied toward the School District's LCFF limit.

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. California 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.

For school districts which were basic aid districts (also known as Community Funded Districts) prior to implementation of the LCFF, provided that the per pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues, such districts are entitled to retain their status as basic aid districts and keep their full local property tax revenue entitlement. The threshold for basic aid status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of basic aid status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including basic aid districts. The School District does not currently qualify as a basic aid district.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, enacted in 2015, Individuals With Disabilities Education Act, and specialized programs such as CRF – Learning Loss, Medi-Cal Billing, Medi-Cal Admin, Workability, Education for Economic Security, and the free and reduced lunch program.

Other State Revenues. As discussed above, the District receives State apportionment of aid which now relate to the LCFF and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues ("**Other State Revenues**"). Some of the Other State Revenues are restricted to specific types of program uses, such as special education. The District receives revenues 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. Lottery revenues comprised a nominal amount (less than 2%) of general fund revenues in 2020-21 and 2021-22 and are budgeted to equal approximately the same amount of such revenues in 2022-23.

For additional discussion of State aid to school districts, see "STATE FUNDING OF SCHOOL DISTRICTS; RESTRUCTURING OF THE K-12 FUNDING SYSTEM – Education Funding Generally."

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, employee benefit contributions, local grants, and other local sources.

There are no redevelopment revenues or Developer fees in the General Fund.

Federal/State Funding Sources due to COVID-19 Pandemic.

As indicated in the forepart of the Official Statement, the School District received funding in connection with the COVID-19 health crisis from both State and federal sources. The School District qualified for an aggregate amount of approximately $100,891,401, of which approximately $50,012,507 has been expended and approximately $22,493,728 million of the remaining $50,878,894 million is budgeted to be expended during Fiscal Year 2022-23.

Specific areas include, but are not limited to, technology purchase and software upgrades, contracting services for student assessments, face masks, gloves, gowns, disinfectant wipes, hand sanitizers, electrostatic sprayers, plexi-glass installations, staff development for student learning and sanitization techniques. facility upgrades and repairs in conjunction with outdoor learning. and air quality facilities.

Labor Relations

In the fall of 1974, the State Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

As of January 31, 2023, the District has approximately 1,172.8 certificated full-time equivalent ("**FTE**") employees, approximately 999.4 classified FTE employees, and approximately 161.7 management/supervisor/confidential FTE employees.

For Fiscal Year 2022-23, the estimated split among the number of certificated, classified and management employees is approximately 50.25% certificated, 42.82% classified, and 6.93% management. Table A-6 below sets forth the number of certificated, classified and management employees employed by the District for Fiscal Years 2013-14 through 2022-23.

Table A-6
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Certificated Employees and Classified Employees
Fiscal Years 2013-14 through 2022-23

Fiscal Year	Total FTE* Certificated Employees	Total FTE* Classified Employees	Total FTE* Management Employees	Total FTE* Employees
2013-14	988.74	639.38	121.96	1,750.08
2014-15	1,040.72	671.32	122.94	1,834.98
2015-16	1,043.42	699.73	120.93	1,864.08
2016-17	1,071.85	712.39	125.27	1,909.51
2017-18	1,096.75	739.90	132.15	1,968.80
2018-19	1,117.31	761.50	132.63	2,011.44
2019-20	1,211.40	891.40	177.10	2,279.90
2020-21	1,187.00	936.00	158.00	2,281.00
2021-22	1,204.00	950.20	157.00	2,811.20
2022-23 (1)	1,172.80	999.40	161.70	2,333.90

*FTE: Full-Time Equivalent.
(1) Fiscal Year 2022-23 Second Interim Budget.
Source: Pajaro Valley Unified School District.

The certificated and classified employees of the District are represented by their respective bargaining units, as set forth in the following table. Management, supervisory and confidential personnel are comprised of certificated and classified personnel who are self-represented.

Table A-7
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Bargaining Units

Labor Organization	*Classification*	*Approximate Number of Employees*	*Contract Expiration Date*
Pajaro Valley Teachers Association	Certificated	1,172.8	June 30, 2022 (1)
California School Employees Association	Classified	999.4	June 30, 2023

(1) Contract negotiations are ongoing.
Source: Pajaro Valley Unified School District

District Retirement Systems

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

The District participates in the State of California Teachers' Retirement System ("**STRS**"). Generally, this plan covers full-time certificated employees, as well as certain classified employees. STRS provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. In order to receive STRS benefits, an employee must be at least 55 years of age and have provided five years of service to State public schools or, if the member is pre-PEPRA, an employee must be at least 50 years of age and have provided 30 years of service to State public schools. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

The District also participates in the State of California Public Employees' Retirement System ("**PERS**") which covers classified personnel who are employed four or more hours per day and more than 1,000 hours during the year. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries under a defined benefit program which is funded through a combination of investment earnings and statutorily set contributions from three sources, employees, employers, and the State. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws.

The District's contributions in recent years, and budgeted contributions in Fiscal Year 2022-23, are set forth below:

Table A-8
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
District Contributions to STRS and PERS
Fiscal Years 2012-13 through 2022-23

Fiscal Year	STRS	PERS
2012-13	$5,386,740	$4,187,460
2013-14	5,951,285	4,723,301
2014-15	10,373,390	4,969,296
2015-16	13,329,798	5,002,183
2016-17 (1)	18,290,590	5,833,383
2017-18	19,192,622	5,682,839
2018-19	20,449,567	6,887,493
2019-20	26,159,468	7,717,235
2020-21	22,290,330	7,804,379
2021-22	25,056,721	9,032,591
2022-23 (2)	30,316,457	12,799,868

(1) Increase in Fiscal Years 2016-17 and thereafter attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.
(2) Fiscal Year 2022-23 Second Interim Budget.
Source: Pajaro Valley Unified School District.

STRS. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to State public schools. The District contribution rates are established by State statutes. In addition, participants are required to contribute to STRS. Participant contribution rates and benefits differ depending on whether an employee was hired on or before December 31, 2012 or on or after January 1, 2013 (see " – Pension Reform Act of 2013 (Assembly Bill 340)" herein). Employer contribution rates, including those of the District, will increase through Fiscal Year 2020-21, as shown in the following table. Beginning in Fiscal Year 2021-22, employer contribution rates will be set each year by the Governing Board of the State Teachers' Retirement System (the "**STRS Board**") to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

Table A-9
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Overview of STRS Contribution Rates

A.B. 1469 Increases – Employer Rates				STRS Participant Rates	
Effective Date	Prior Rate	Increase	Total	Required Contributions (Hired on or Before 12/31/2012 (Classic Members); 2% at age 60 retirement members)	Required Contributions (Hired on or After 1/1/2013 (New Members); 2% at age 62 retirement members)
July 1, 2017	8.25%	6.18%	14.43%	10.25%	9.205%
July 1, 2018	8.25	8.03	16.28	10.25	10.205
July 1, 2019	8.25	8.85	17.10[1]	10.25	10.205
July 1, 2020	8.25	7.90	16.15[1]	10.25	10.205
July 1, 2021	8.25	8.67	16.92[1]	10.25	10.205
July 1, 2022	8.25	10.85	19.10[1]	10.25	10.205
July 1, 2023[2]	8.25	10.85	19.10[1]	10.25	10.205

[1] The 2019-20 State Budget (defined below) provided supplemental payments to STRS to reduce the unfunded actuarial obligation of the system and reduce contribution rates for employers and the State. Based on the additional amounts paid to CalSTRS, the employer contribution rate has been adjusted to 17.10% for Fiscal Year 2019-20. Subsequently, the 2020-21 State Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in Fiscal Year 2020-21 and 2021-22. As a result, the employer contribution rate is 16.15% in Fiscal Year 2020-21 and 16.90% in Fiscal Year 2021-22. The effective employer contribution rate is 19.10% in Fiscal Year 2022-23.

[2] Projected, subject to change.

Source: STRS Employer Directive 2020-04 (Amended).

The State also contributes to STRS. The State's contributions are set pursuant to the California Education Code. The State's contribution reflects a base contribution rate of 2.017% and a supplemental contribution rate that will vary from year to year based on statutory criteria. The State also contributes an amount based on a percentage of annual member earnings into the STRS Supplemental Benefits Maintenance Account, which is used to maintain the purchasing power of benefits to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

On June 27, 2019, Governor Newsom signed SB 90 ("**SB 90**") into law as a part of the State's 2019-20 State Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for Fiscal Years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in Fiscal Year 2019-20 (17.10%) and 0.70% less in Fiscal Year 2020-21 (18.40%). The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. Subsequently, the 2020-21 State Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in Fiscal Year 2020-21 and 2021-22. The 2022-23 State Budget allocated $2.9 billion to PERS pursuant to Proposition 2 for long-term unfunded liabilities in Fiscal Year 2022-23. See "STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS – Recent State Budget – *2022-23 State Budget*" herein.

Interested persons may review the STRS website for details regarding its programs – http://www.calstrs.com. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The preceding information has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

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PERS. As indicated above, the District also participates in PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System (defined above as "**PERS**"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. School districts are currently required to contribute to PERS at an actuarially determined rate. The information in the table below is derived from the PERS' Schools Pool Actuarial Valuations, the most recent of which is dated as of June 30, 2021, and other available information. See " – Pension Reform Act of 2013 (Assembly Bill 340)" herein.

Table A-10
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Overview of PERS Contribution Rates

Effective Date	PERS School District Statutory Contribution Rates	PERS Participant Required Contributions (Hired on or Before 12/31/2012; 2% at age 55 retirement members)	PERS Participant Contributions (Hired on or After 1/1/2013 (New Members); 2% at age 62 retirement members)
July 1, 2015[(1)]	11.847%	7.0%	6.00%
July 1, 2016[(1)]	13.888	7.0	6.00
July 1, 2017[(1)]	15.531	7.0	6.50
July 1, 2018[(1)]	18.062	7.0	7.00
July 1, 2019[(2)]	19.721[(2)]	7.0	7.00
July 1, 2020[(2)]	20.700	7.0	7.00
July 1, 2021[(3)]	22.910	7.0	7.00
July 1, 2022[(3)]	25.370	7.0	8.00
July 1, 2023[(4)]	25.200	7.0	8.00

(1) Source: PERS Schools Pool Actuarial Valuations.

(2) Source: PERS Schools Pool Actuarial Valuation as of June 30, 2021. The 19.721% contribution rate for the period commencing July 1, 2019, represents a reduction of 1.012% in the employer contribution rate due to Government Code Section 20825.2(a) from the 20.733% adopted by the PERS Board on April 17, 2019.

(3) Source: 25.370% for Fiscal Year 2022-23 adopted by the PERS Finance and Administration Committee on April 18, 2022. The 2019 Budget Act included $850 million to buy down local educational agency employer contribution rates for CalSTRS and PERS in 2019-20 and 2020-21, as well as $2.3 billion towards the employer long-term unfunded liability. To provide local educational agencies with increased fiscal relief, the 2020-21 State Budget redirects $2.3 billion appropriated in the 2019-20 Budget Act to CalSTRS and PERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation and other supplemental contributions by the State further reduced the PERS Schools Pool employer contribution rate from 22.80% to 20.7% in 2020-21 and from 25.07% to 22.91% in 2021-22.

(4) Source: 25.200% for Fiscal Year 2023-4 projected by the PERS Finance and Administration Committee on April 18, 2022. Subject to change.

Source: PERS' Schools Pool Actuarial Valuation as of June 30, 2021; PERS Circular Letter 200-034-22; 2022-23 State Budget.

Interested persons may review the PERS website for details regarding its programs – http://www.calpers.ca.gov. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The preceding information has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

Contribution rates to STRS and PERS vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on State-wide rates set by the STRS and PERS retirement boards. STRS has a substantial State-wide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share. The District is unable to predict what the amounts of liabilities will be in the future, or the amount of future contributions that the District may be required to pay. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021" for additional information concerning STRS and PERS contained in the notes to the financial statements. *The District's audited financial statements for the Fiscal Year ending June 30, 2022, are expected to be presented to the District's Board at its May 24, 2023, meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly thereafter.*

Adjustments to Contribution Rates; Actuarial Valuations – STRS.

The governing board of STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, STRS investments lost substantial value at that time. Due to revised actuarial assumptions, among other factors in May 2022, STRS announced that the funded status increased to 73.0% on a smoothed actuarial basis as of June 30, 2021, from 67.1% as of June 30, 2020, primarily due to an investment return greater than the assumed 7.0% in the prior fiscal year and additional contributions by the State, as well as the reflection of a portion of prior investment gains in the asset smoothing calculation, with the unfunded actuarial obligation decreasing to $89.719 billion as of June 30, 2021, from $105.9 billion as of June 30, 2020.

The 2021 Actuarial Valuation indicates that the actuarial assumptions include an investment rate return of 7.00%, a projected wage growth of 3.50%, and a 2.75% price inflation factor.

In a release on July 29, 2022, STRS noted that for Fiscal Year 2021-22, the financial markets experienced severe volatility in the second half of Fiscal Year 2021-22 as widespread economic and geopolitical issues led to global uncertainty. The next actuarial valuation of the STRS defined benefit program, which will include an updated funded status, is expected to be released in May 2023.

The information herein has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness. Changes to the unfunded actuarial obligation affect the contributions by school districts, plan participants and the State in different ways.

In 2012, then Governor Brown signed into law a comprehensive funding strategy to address the unfunded liability at STRS. See " – Pension Reform Act of 2012 (Assembly Bill 340)" herein.

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Adjustments to Contribution Rates; Actuarial Valuations – PERS.

The Governing Board of the Public Employees' Retirement System (the "**PERS Board**") adopts a valuation of its defined benefit plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. Subsequent thereto, the PERS Board has adopted changes to its policies, assumptions, and amortization methods. For example, in December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experience by PERS in Fiscal Year 2008-09. Until the financial crisis resulting from the COVID-19 pandemic, recent years had seen positive investment returns. The valuation for the 12-month period that ended June 30, 2021, indicated a 21.3% return on investments for the 12-month period that ended June 30, 2021, before reduction for administrative expenses. The PERS Actuarial Valuation as of June 30, 2021, indicates that as of June 30, 2021, the funded status for PERS was 78.3%. See "*Preliminary Net Return on Investments for Period Ending June 20, 2022*" below for preliminary estimated negative return on investments.

PERS has adopted policies regarding contribution rates for the various plans and such plans are subject to modification as the PERS Board determines how to address the unfunded actuarial obligations. At its April 17, 2013, meeting, the PERS Board approved a change to the PERS amortization and smoothing policies. Beginning with the June 30, 2015, valuation, the newly adopted direct smoothing method was used to set the 2015-16 rates for the State and schools defined benefit plans. Under this direct rate smoothing method, all gains and losses were to be paid over a fixed 30-year period with the increases or decreases in the rate spread over a 5-year period. The PERS Board periodically adopts new assumptions regarding the longer life expectancy of State retirees. The June 30, 2016, valuation notes that the changes to the demographic assumptions approved by the PERS Board would be used to set the Fiscal Year 2016-17 contribution rate for school employers. The increase in liability due to the new actuarial assumptions is calculated in the 2016 actuarial valuation and amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with PERS Board policy. On December 21, 2016, the PERS Board voted to lower the discount rate from 7.5% to 7.0% incrementally over the next three years (7.375% in 2017-18, 7.25% in 2018-19, and 7.0% in 2019-20). Lowering the discount rate, means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities.

At its February 13, 2018, meeting, the PERS Board approved a recommendation to change the PERS amortization policy. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy was used for the first time in the June 30, 2019, actuarial valuations.

In April 2018, the PERS Board approved increased school employer contribution rates for Fiscal Year 2018-19 to address the lowering of the discount rate and the continued phase-in of the effect of investment losses during the two-year period ending June 30, 2016, and various demographic changes. The information herein has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

At its April 16, 2019, meeting, the Finance and Administration Committee of the PERS Board recommended the PERS Board adopt an employer contribution rate of 20.733% for the July 1, 2019, through June 30, 2020, period for the Schools Pool. The Committee noted the increase was driven by the continued phase-in of previous assumption changes, experience losses since 2014, and the adoption of new assumptions, both demographic and economic. The Committee also recommended that the PERS Board adopt a member contribution rate of 7.0% for employees subject to PEPRA effective July 1, 2018, which rate was equal to the current rate. The recommended employer and employee contribution rates were generated based on the June 30, 2018, annual valuation using a discount rate of 7.25%, payroll growth of 2.875% per year and an inflation rate of 2.625% per year. With the next valuation, the discount rate, annual payroll growth and annual inflation assumptions were reduced to 7.00%, 2.75% and 21.50%, respectively.

Pursuant to SB 90, the State legislature appropriated $144 million for Fiscal Year 2019-20 and $100 million for Fiscal Year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for Fiscal Year 2019-20 was 19.721%.

On April 21, 2022, the PERS Board established the employer contribution rates for 2022-23 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2021, ahead of its release date in October 2022. From June 30, 2020, to June 30, 2021, the funded status for the Schools Pool increased by 9.7% (from 68.6% to 78.3%); mainly due to preliminary 21.3% net return on investments for Fiscal Year 2020-21. Since the preliminary return sufficiently exceeded the 7.00% discount rate, the PERS Funding Risk Mitigation Policy triggered a 0.20% reduction in the discount rate from 7.00% to 6.80%. Also, under the Actuarial Amortization Policy, a portion of the investment gain was used to fully offset the increase in unfunded liability resulting from the decrease in discount rate. The remaining (net) investment gain was amortized over 20 years with a five-year ramp. This net investment gain reduced the required employer contribution rate in Fiscal Year 2022-23 by 1.27% of pay. Due to the five-year ramp, this reduction will increase each year until it reaches an estimated 5.687% in Fiscal Year 2026-27. In addition on November 17, 2021, the PERS Board adopted new actuarial assumptions based on recommendations in the November 2021 PERS Experience Study and Review of Actuarial Assumptions. The June 30, 2021, Actuarial Valuation notes as subsequent events that the June 30, 2021 Actuarial Valuation reflects statutory and regulatory changes and fund investment return through June 2022 and PERS Board actions through August 2022. Projected results reflect an investment loss for Fiscal Year 2021-22 based on preliminary investment return information release by the PERS Investment Office, adjusted to reflect final audited June 30, 2021, assets. Further, projected rates reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers. Assuming all actuarial assumptions are realized, and no further changes to assumptions, contributions, benefits, or funding will occur during the projection period, the contribution rate was projected to increase annually, resulting in a projected 30.7% employer contribution rate for Fiscal Year 2027-28. Future contribution requirements may differ significantly from those shown in the June 30, 2021, Actuarial Report. The actual long-term cost of the plan depends on the actual benefits and expense paid and the actual investment experience of the fund.

Preliminary Net Return on Investments for Period Ending June 20, 2022. On July 20, 2022, PERS announced a preliminary -6.1% net return on investments for the 12-month period that ended June 30, 2022. Overall assets were $440 billion at the end of the fiscal year. The overall funded status was 72%. The 2021-22 final fiscal year investment performance will be calculate based on audited figures and will be reflected in contribution levels for the State and school districts in fiscal year 2023-24, and for contracting cities, counties, and special districts in Fiscal Year 2024-25.

The information herein has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

PERS and STRS Historical Actuarial Valuations Funded Status. As indicated above, both STRS and PERS have substantial State-wide unfunded liabilities. The amount of these unfunded liabilities varies depending on actuarial assumptions, returns on investments, salary scales, and participatory contributions. Actuarial assessments are "forward-looking" information based on a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments and assumptions will change with the future experience of the pension plans. Table A-11 below summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS (Schools Pool).

Table A-11
Funded Status
STRS (Defined Benefit Program) and PERS (School Pool)
(Dollar Amounts in Millions)[1]
Fiscal Years 2013-14 through 2020-21

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[3]	Value of Trust Assets (AVA)[4]	Unfunded Liability (AVA)[4][5]
2013-14	$231,213	$179,749	$61,807	$158,495	$72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[3]	Value of Trust Assets (AVA)[4]	Unfunded Liability (AVA)[5]
2013-14	$65,600	$56,838	$ 8,761	--[6]	--[6]
2014-15	73,325	56,814	16,511	--[6]	--[6]
2015-16	77,544	55,785	21,759	--[6]	--[6]
2016-17	84,416	60,865	23,551	--[6]	--[6]
2017-18	92,071	64,846	27,225	--[6]	--[6]
2018-19	99,528	68,177	31,351	--[6]	--[6]
2019-20	104,062	71,400	32,662	--[6]	--[6]
2020-21[7]	110,507	86,519	23,988	--[6]	--[6]

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(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Unfunded Liability (MVA) is equal to the Accrued Liability column minus the Value of Trust Assets (MVA) column minus the amount deposited in the Supplemental Benefits Maintenance Account reserve, which is not available to provide benefits under the STRS Defined Benefit Program.
(4) Based on actuarial value of assets.
(5) Unfunded Liability (AVA) is equal to the Accrued Liability column minus the Value of Trust Assets (AVA) column.
(6) Effective with the June 30, 2014, valuation, PERS no longer uses an actuarial valuation of assets.
(7) On April 19, 2022, the PERS Board approved the K-14 school district contribution rate for Fiscal Year 2022-23 and released certain actuarial information to be incorporated into the June 30, 2021, actuarial valuation which was subsequently released in October 2022.

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

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Pension Reform Act of 2013 (Assembly Bill 340)

On August 28, 2012, former Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") which governs pensions for public employers and public pension plans on and after January 1, 2013 (the "**Implementation Date**"). For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which was $147,000 for 2022, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and school district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

GASB 67 and 68

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") voted to approve two new standards that aimed to improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, Financial Reporting for Pension Plans ("Statement No. 67"), revised existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions ("Statement No. 68"), revised and established new financial reporting requirements for most governments that provide their employees with pension benefits.

Statement No. 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50, Pension Disclosures as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and requires supplementary information for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Statement No. 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The provisions in Statement No. 67 became effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement No. 68 became effective for fiscal years beginning after June 15, 2014.

At Fiscal Year 2020-21 year end, the District had an outstanding pension liability of $170,985,405 with respect to STRS, and $96,909,512 with respect to PERS (a total of $267,894,917), as a result of the adoption of GASB No. 68, Accounting Reporting for Pensions. Fiscal Year 2021-22 year end outstanding pension liability for STRS and PERS will be presented in the District's audited financial statements for the Fiscal Year ending June 30, 2022, which are expected to be presented to the District's Board at its May 24, 2023, meeting and to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (also known as "EMMA") shortly thereafter. For information regarding Fiscal Year 2020-21 employee retirement systems, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021 – Note 15" attached hereto.

Other Post-Employment Benefits

Other Post-Employment Benefits. In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("**Statement No. 75**"). OPEB (meaning other than pension benefits) generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long-term care benefits. The objective of Statement No. 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement No. 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement No. 75 replaces GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.

Plan Description. The Postemployment Benefit Plan (the "**Plan**") is a single-employer-defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the plan consisted of 174 retirees and beneficiaries receiving benefits and 2,060 active plan members as of the 2022 Actuarial Study (as defined below).

Contribution Information. The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association ("**PVFT**"), the local California Service Employees Association ("**CSEA**"), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, PVFT, CSEA and the unrepresented groups. For Fiscal Year 2021-22, the District contributed $54,171,992 to the plan, all of which was used for current premiums (approximately 100% percent of total premiums incurred by retirees plus one eligible dependent).

Actuarial Methods and Assumptions.

Pursuant to Statement No. 75, the District retained Total Compensation Systems, Inc. to assess the District's liabilities in connection with Statement No. 75. A report was prepared on December 4, 2020, with a June 30, 2020, valuation date (the "**2020 Actuarial Study**"), a report dated January 12, 2022, was prepared with a June 30, 2021 valuation date (the "**2021 Actuarial Study**," and a report dated August 19, 2022, was prepared with a June 30, 2022 valuation date (the "**2022 Actuarial Study**," and each an "**Actuarial Study**"). The respective Actuarial Studies concluded that for current employees, the value of benefits accrued in the year ending June 30, 2020, (the service cost) was $10,000,899, in the year ending June 30, 2021, was $12,629,306, and in the year ending June 30, 2022, was $8,689,643, with an estimate for the year ending June 30, 2023, of $7,050,154. The respective Actuarial Studies noted that had the District begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. The respective Actuarial Studies estimate the amount that would have accumulated at June 30, 2020 to be $109,039,927 at June 30, 2021, to be $134,672,394, and at June 30, 2022, to be $125,495,960, respectively. The amount is called the "Total OPEB Liability" ("**TOL**"). The District has set aside funds to cover retiree health liabilities in a GASB No. 75 qualifying trust. The fiduciary net position of the trust at June 30, 2020 was $3,209,865, at June 30, 2021 was $3,897,925 and at June 30, 2022 was $3,152,498, respectively. The Net OPEB Lability ("**NOL**") at June 30, 2020, was $105,830,062, at June 30, 2021, was $130,774,469 and at June 30, 2022, was $122,343,462, respectively.

For more information regarding the District's OPEB and assumptions used in the 2021 Actuarial Study, see Note 13 in the District's 2020-21 Audit in APPENDIX B hereto.

Risk Management – Joint Powers Agreements

The District is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, and natural disasters. The District manages these risks through participation in public entity risk pools.

The District is associated with Schools Association For Excess Risk ("**SAFER**"), Protection Insurance Programs for Schools ("**PIPS**"), and public entity risk pools Benefit Liability Excess Fund ("**BeLiEF**") that provides insurance coverage to the District. These organization do not meet criteria for inclusion as component units, so they are not component units of the District for financial reporting purposes.

The District also participates in the Henry J. Mello Center for the Performing Arts Administration (the "**JPA**"), through a joint powers authority with the City of Watsonville and the District. Each member's board appoints three directors. The JPA was established for the purpose of administering all functions necessary for the operation and maintenance of the Performing Arts Center.

Cyber Security

The District, like many 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 is potentially subject to multiple 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 access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District has never had a major cyber breach that resulted in a financial loss. The District maintains insurance coverage for cyber security losses should a successful breach ever occur.

No assurance can be given that the District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the County Treasurer for the levy and collection of a*d valorem* property taxes securing payment of the Refunding Bonds or such as paying agent and the Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners of the Refunding Bonds, e.g., systems related to the timeliness of payments to Owners of the Refunding Bonds or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate.

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 may be approved by an existing local public school district, a county board of education or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (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.

Dependent Charter Schools

The District approved a petition to establish a dependent charter school within the boundaries of the District, known as the Alianza Charter School, which opened in Fiscal Year 1980-81 ("**Alianza Charter School**"). Approximately 664 students were enrolled in Alianza Charter School in Fiscal Year 2021-22 and approximately 640 students are estimated to be enrolled in Alianza Charter School in Fiscal Year 2022-23. The District currently has limited information about Alianza Charter School's enrollment and can provide no representation as to future enrollment or transfers of students from the District to Alianza Charter School.

The District approved a petition to establish a dependent charter school within the boundaries of the District, known as the Diamond Technology Institute, which opened in Fiscal Year 1999-2000 ("**Diamond Technology Institute**"). Approximately 71 students were enrolled in Diamond Technology Institute in Fiscal Year 2021-22 and approximately 83 students are estimated to be enrolled in Diamond Technology Institute in Fiscal Year 2022-23. The District currently has limited information about Diamond Technology Institute's enrollment and can provide no representation as to future enrollment or transfers of students from the District to Diamond Technology Institute.

The District approved a petition to establish a dependent charter school within the boundaries of the District, known as the Pacific Coast Charter School, which opened in Fiscal Year 1999-2000 ("**Pacific Coast Charter School**"). Approximately 169 students were enrolled in Pacific Coast Charter School in Fiscal Year 2021-22 and approximately 166 students are estimated to be enrolled in Pacific Coast Charter School in Fiscal Year 2022-23. The District currently has limited information about Pacific Coast Charter School's enrollment and can provide no representation as to future enrollment or transfers of students from the District to Pacific Coast Charter School.

The District approved a petition to establish a dependent charter school within the boundaries of the District, known as the Watsonville Charter School of the Arts, which opened in Fiscal Year 2001-02 ("**Watsonville Charter School of the Arts**"). Approximately 393 students were enrolled in Watsonville Charter School of the Arts in Fiscal Year 2021-22 and approximately 385 students are estimated to be enrolled in Watsonville Charter School of the Arts in Fiscal Year 2022-23. The District currently has limited information about Watsonville Charter School of the Arts' enrollment and can provide no representation as to future enrollment or transfers of students from the District to Watsonville Charter School of the Arts.

Independent Charter Schools

The District approved a petition to establish an independent charter school within the boundaries of the District, known as the Ceiba College Preparatory Academy, which opened in Fiscal Year 2008-09 ("**Ceiba College Preparatory Academy**"). Approximately 511 students were enrolled in Ceiba College Preparatory Academy in Fiscal Year 2021-22 and approximately 515 students are estimated to be enrolled in Ceiba College Preparatory Academy in Fiscal Year 2022-23. The District currently has limited information about Ceiba College Preparatory Academy's enrollment and can provide no representation as to future enrollment or transfers of students from the District to Ceiba College Preparatory Academy.

The District approved a petition to establish an independent charter school operating within the boundaries of the District, known as the Linscott Charter School, which opened in Fiscal Year 1994-95 ("**Linscott Charter School**"). Approximately 253 students were enrolled in Linscott Charter School in Fiscal Year 2021-22 and approximately 259 students are estimated to be enrolled in Linscott Charter School in Fiscal Year 2022-23. The District currently has limited information about Linscott Charter School's enrollment and can provide no representation as to future enrollment or transfers of students from the District to Linscott Charter School.

The State approved a petition to establish an independent charter school operating within the boundaries of the District, known as Watsonville Prep, which opened in Fiscal Year 2019-20 ("**Watsonville Prep**"). Watsonville Prep was approved to open as a KT-2 in Fiscal Year 2019-20, with 60 students per grade, and to add a grade each year to grow to serve 420 students in grades KT--6 in 2023-24. Approximately 360 students were estimated to be enrolled in Watsonville Prep in Fiscal Year 2022-23 and approximately 420_students are estimated to be enrolled in Watsonville Prep in Fiscal Year 2022-23. The District currently has limited information about Watsonville Prep's enrollment and can provide no representation as to future enrollment or transfers of students from the District to Watsonville Prep.

The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools and the corresponding financing impact on the District.

Long-Term Debt Obligations

General Obligation Bonds. The District has seven series of general obligation and refunding general obligation bonds currently outstanding, as summarized in the following table. Each of these bonds are described in more detail below.

Table A-12
PAJARO VALLEY UNIFIED SCHOOL DISTRICT
General Obligation Bonds/General Obligation Refunding Bonds

Dated Date	Series	Par Amount of Original Bonds	Outstanding as of June 30, 2022
5/19/2005	General Obligation Bonds, Election of 2002, Series B	$18,254,287.55	$14,381,223.60*
2/07/2013	2013 General Obligation Refunding Bonds, Series A	9,765,000.00	1,520,000.00
2/07/2013	2013 General Obligation Refunding Bonds, Series B	19,675,000.00	2,880,000.00
4/30/2013	General Obligation Bonds, Election of 2012, Series A Ref.	68,540,000.00	28,620,000.00
4/30/2013	General Obligation Bonds, Election of 2012, Series B Ref.	11,460,000.00	2,550,000.00
2/23/2016	General Obligation Bonds, Election of 2012, Series C	40,000,000.00	36,690,000.00
11/09/2017	General Obligation Bonds, Election of 2012, Series D	30,000,000.00	28,800,000.00
6/06/2020	2020 Refunding General Obligation Bonds	50,535,000.00	49,185,000.00
	Total	**$248,229,287.55**	**$164,626,223.60**

Includes accreted interest.
Source: Pajaro Valley Unified School District's Audits; the Municipal Advisor.

On May 19, 2005, the District issued its $18,254,287.55 Election of 2002 General Obligation Bonds, Series B (the "**2002 Series B Bonds**"), outstanding as of June 30, 2022, in the aggregate principal amount of $14,381,223.60 (including accreted interest).

On February 7, 2013, the District issued its $9,675,000 2013 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) (the "**2013A Refunding Bonds**"), currently outstanding as of June 30, 2022, in the aggregate principal amount of $1,520,000.00. Simultaneously with the issuance of the 2013A Refunding Bonds, the District issued its $19,675,000 2013 General Obligation Refunding Bonds, Series B (the "**2013B Refunding Bonds**"), outstanding as of June 30, 2022, in the aggregate principal amount of $2,880,000.00.

The District received authorization at an election held on November 6, 2012 (the "**2012 Authorization**") to issue $150,000,000 of general obligation bonds. On April 30, 2013, the District issued its $68,540,000 Election of 2012 General Obligation Bonds, Series A (Federally Tax-Exempt), outstanding as of June 30, 2022, in the aggregate principal amount of $28,620,000.00. Simultaneously with the issuance of the Refunded Series A Bonds, the District issued its $11,460,000 Election of 2012 General Obligation Bonds, Series B Bonds, outstanding as of June 30, 2022, in the aggregate principal amount of $2,550,000.00. On February 23, 2016, the District issued its $40,000,000 Election of 2012 General Obligation Bonds, Series C (the "**Series C Bonds**"), outstanding as of June 30, 2022, in the aggregate principal amount of $36,690,000.00. On November 9, 2017, the District issued its $30,000,000 Election of 2012 General Obligation Bonds, Series D (the "**Series D Bonds**"), outstanding as of June 30, 2022, in the aggregate principal amount of $28,800,000.00. The Series D Bonds were the fourth and final series of bonds issued pursuant to the 2012 Authorization.

On June 6, 2020, the District issued its $50,535,000.00 2020 General Obligation Refunding Bonds (Federally Taxable) (the "**2020 Refunding Bonds**"), currently outstanding as of June 30, 2022, in the aggregate principal amount of $49,185,000.00.

STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS

State Funding of Education

General. 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. In the past, California school districts received an average of 54% to 61% of their operating revenues from various State sources. The primary source of funding for school districts is funding under the LCFF, which is a combination of State funds and local property taxes (see "STATE FUNDING OF SCHOOL DISTRICTS; RESTRUCTURING OF THE K-12 FUNDING SYSTEM – Education Funding Generally" above). State funds typically make up the majority of a district's LCFF entitlement.

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. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly available information provided by the State. Neither the District nor the Underwriter are responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The 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 (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the California 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 California 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.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District or the Underwriter and is not incorporated herein by reference.*

- The California State Treasurer internet home page at *www.treasurer.ca.gov*, under the heading "Bond Information," posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at *www.treasurer.ca.gov*, under the heading "Financial Information," posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)."

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in Fiscal Year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the Fiscal Year 2019-20 State Budget was balanced when adopted and projected a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 State-wide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future due to the impacts of the COVID-19 pandemic in the near term, or due to other unforeseen circumstances in the future.

With respect to the 2019-20 State Budget, the Governor signed the Fiscal Year 2019-20 State Budget on June 27, 2019, and in March 2020, following the outbreak of the COVID-19 pandemic, the Governor declared a state of emergency, and the State Legislature subsequently authorized an amendment to the 2019-20 State Budget providing for an appropriation of up to $1 billion from the State's General Fund to be used for any purpose related to such emergency declaration. Since the 2019-20 State Budget preceded the COVID-19 pandemic, it did not take into account the significant adverse impacts the COVID-19 pandemic would have on the State's financial condition beginning in Fiscal Year 2019-20. The 2020-21 State Budget significantly revised the projections of revenues and expenditures in the 2019-20 State Budget. Further, the 2020-21 State Budget deferred $1.9 billion of LCFF apportionments due in Fiscal Year 2019-20 to Fiscal Year 2020-21.

2022-23 State Budget. On June 27, 2022, the Governor signed into law the State budget for Fiscal Year 2022-23 (the "**2022-23 State Budget**").

As indicated above, the information in the Official Statement concerning the State budget and State finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the District. The Refunding 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 of the Refunding Bonds.*

The following information is derived from the portion of the Summary of the 2022-23 State Budget, prepared by the Department of Finance relating to K-12 School Funding.

According to information prepared by the Department of Finance, the 2022-23 State Budget provides over $17 billion in relief to millions of Californians to help offset rising costs, and reflects an accelerate minimum wage increase, effective January 1, 2023. The 2022-23 State Budget makes a multi-year commitment to the State's infrastructure – funding schools, higher education, broadband infrastructure, and a clean transportation system. The 2022-23 State Budget also includes actions to maintain energy reliability, creating a strategic reserve, protecting ratepayers, and accelerating clean energy projects. The 2022-23 State Budget provides $37.2 billion in budgetary reserves, prepaying billions of dollars in State debts, and making supplemental deposits into reserve funds. The 2022-23 State Budget allocates 93% of the discretionary surplus for one-time purposes. The 2022-23 State Budget proposes the following:

- *Broad-Based Relief*: $17 billion broad-based relief package, including a refund of up to $1,050 to millions of Californians based on income level and the size of household, increased grants for the State's lowest income families and individuals, and additional funding for food banks, rental assistance, subsidized child care and preschool programs, health care subsidies for the middle class if federal subsidies expire, and retention bonus payments for thousands of health care workers.

- *Addressing Impacts of Climate Change:* Building off $15 billion allocated in 2021-22, the 2022-23 State Budget allocates an additional $39 billion over five years toward climate resilience and integrated climate, equity, and economic opportunity across the 2022-23 State Budget to mobilize a coordinate government-wide response to the climate crisis.

- *Drought and Water Resilience:* The 2022-23 State Budget allocates $1.2 billion to immediate drought support, including efforts to encourage conservation and an additional $1.5 billion to be allocated later for long-term water resilience.

- *Energy:* The 2022-23 State Budget allocates $4.3 billion to address issues slowing the development of new clean energy installations in California and to development a strategic reserve, protection to ratepayers, and accelerated deployment of clean energy projects. The 2022-23 State Budget also includes an additional $3.8 billion that is deferred for allocation to further reliability, affordability, and accelerate the State's clean energy future.

- *Education and Parents Agenda:* Includes total funding of $128.6 billion for K-12 education, reflecting $22,893 per pupil ($16,993 K-12 Proposition 98 General Fund.) In addition, the 2022-23 State Budget includes $5.1 billion General Fund for K-12 school facilities, including new preschool and transitional kindergarten facilities. The 2022-23 State Budget includes $35.8 billion Proposition 98 funds above the 2021-22 State Budget for K-14 education.

- *Children's Behavioral Health:* In addition to $4.4 billion over multiple years for California's behavioral health system for children and youth, the 2022-23 State Budget includes an additional $290 million over three years to address the most urgent needs and emergent issues in children's mental health.

- *Infrastructure:* The 2022-23 State Budget include a multi-year commitment of $47 billion in state funds for infrastructure, including funding to accelerate the transition to zero-emission vehicles, modernize the State' transportation system, promote energy innovation and reliability, advance the State's housing goals, reduce wildfire risk to communities, and to support drought resiliency and response.

- T*ransportation:* The 2022-23 State Budget includes $14.8 billion for regional transit and rail projects; to support continued development of a first-in-the-nation, electrified high-speed rail system in California; bicycle and pedestrian project; and climate adaptation projects. The 2022-23 State Budget also includes $6.1 billion (General Fund, Proposition 98 General Fund, federal funds, and Greenhouse Gas Reduction Fund) over five years for zero-emission vehicles, which builds on the 2021-22 State Budget's zero-emission package, for a total of $10 billion to advance California's climate and transportation goals.

- *Housing*: The 2022-23 State Budget include $2 billion over two years to accelerate the development of affordable housing.

- *Homelessness and Behavioral Health*: The 2022-23 State Budget include $3.4 billion General Fund over three years to continue the State's efforts by investing in immediate behavior health housing and treatment, as well as encampment cleanup grants, and extends for an additional year support for local government efforts. To support implementation of efforts, the 2022-23 State Budget also includes $1.5 billion to invest in a multi-pronged effort to develop and train thousands of new care economy workers, including various mental health professionals and 25,000 new community health workers.

- *COVID*-19: The 2022-23 State Budget provides an additional $1.1 billion to continue to implement the SMARTER Plan, including additional funding to support school testing, increase vaccination rates, and expand and sustain efforts to protect public health at the border.

- *Budgetary Reserves*: The 2022-23 State Budget includes $37.2 billion in budgetary reserves, including $23.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies; $9.2 billion in the Public School System Stabilization Account; $900 million in the Safety Net Reserve; and $3.5 billion in the State's operating reserve. With the 2022-23 State Budget allocations, the Rainy Day fund is at its constitutional maximum (10% of General Fund revenues) requiring $456 million to be dedicated for infrastructure investments in 2022-23. The 2022-23 State Budget includes a $3.9 billion multi-year plan to prepay callable general obligation bonds, with a focus on variable rate bonds, and to shift lease revenue bond-financed projects to cash. The 2022-23 State Budget also estimates supplemental payments to reduce State retirement liabilities of $3.4 billion in 2022-23.

2023-24 Proposed State Budget. On January 10, 2023, the Governor released the proposed State budget for Fiscal Year 2023-24 (the "**2023-24 Proposed State Budget**").

As indicated above, the information in the Official Statement concerning the State budget and State finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the School District. The Refunding 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 of the Refunding Bonds. See "THE REFUNDING BONDS – Security" in the forepart of this Official Statement.*

The 2023-24 Proposed State Budget proposes $108.8 billion with respect to the Proposition 98 minimum funding guarantee for Fiscal Year 2023-24. The 2023-24 Proposed State Budget indicates this represents a decrease of $1.5 billion in schools and community colleges below the 2022-23 level funded in the 2022-23 State Budget. Reflecting changes to Proposition 98 funding noted in the 2023-24 Proposed State Budget, total per-pupil expenditures from all sources are projected to be $23,723 in 2023-24.

With respect to STRS and PERS, there is a statutorily required annual State contribution to STRS of approximately $3.9 billion allocated to CalSTRS and $8.5 billion for the statutorily required annual State contribution to PERS, and the 2023-24 Proposed State Budget provides for a paydown of State retirement liabilities as required by Proposition 2, with $1.9 billion in additional payments in 2023-24 and approximately $5.3 billion projected to be paid over the next three years.

The 2023-24 Proposed State Budget projects a total balance of $9.5 billion in the Public School System Stabilization Account ("**PSSSA**"). The 2023-24 Proposed State Budget reflects revised 2021-22 and 2022-23 payments and a 2023-24 payment of $3.7 billion, $1.1 billion, and $365 million, respectively, into the PSSSA, for a total revised account balance of more than $8.5 billion at the end of Fiscal Year 2022-23. Under current State law, there is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance of the PSSSA is equal to or greater than 3% of the total K-12 share of the Proposition 98 Guarantee (approximately $2.3 billion). The balance of $8.1 billion in 2022-23 continues school district reserve caps that began in 2023-24.

Other significant proposals of the 2023-24 Proposed State Budget affecting K-12 school districts include the items described in the following paragraphs.

Local Control Funding Formula Equity Multiplier and Accountability Improvements: To accelerate learning gains and close opportunity gaps, the Budget includes $300 million ongoing Proposition 98 General Fund to establish an equity multiplier as an add-on to the LCFF. These funds will be allocated to local educational agencies based on school-site eligibility, using a more targeted methodology than the existing supplemental grant eligibility. The funds are intended to augment resources to support the highest-needs schools in the state and highlight the importance of equitable allocation of resources by local educational agencies.

Early Education

Transitional Kindergarten (TK): The 2023-24 Proposed State Budget revised estimates for the 2022 Budget Act from $614 million to approximately $604 million to expand access to all children turning five-years old between September 2 and February 2 and revise the 2022 Budget Act first-year investment to add one additional certificate or classified staff person to every transitional kindergarten class to reflect updated enrolment and attendance data and the 2023-24 Proposed Budget includes $690 million to implement the second year of transitional kindergarten expansion, which will increase access to the program to all children turning five-years-old between September 2 and April 2 (approximately 46,000 children) and $165 million to support the addition of one additional certificated or classified staff person in transitional kindergarten classrooms serving these students. Full implementation of universal transitional kindergarten is expected in 2025-26.

California State Preschool Program: Consistent with the 2022 Budget Act, the 20223-24 Proposed State Budget includes $64.5 million Proposition 98 General Fund and $51.8 million General Fund to continue a multi-year plan to ramp up the inclusivity adjustments for the State Preschool Program. The 2023-24 year will be the second year of the three-year ramp up process, and students with disabilities will be required to make up at least 7.5% of State Preschool Program providers' enrollment. To support reimbursement rate increases previously supported by available one-time federal stimulus funding, the Budget includes $152.7 million General Fund. These resources are in addition to approximately $63.3 million General Fund and $112 million Proposition 98 General Fund to support an 8.13% statutory cost-of-living adjustment.

California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (FDK Program): The 2023-24 Proposed State Budget delays the 2022 Budget Act $550 million in 2023-24 support for the construction of new school facilities or retrofitting existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms to 2024-25.

Literacy: The 2023-24 Proposed State Budget includes an additional $350 million one-time Proposition 98 General Fund to build upon the existing Literacy Coaches and Reading Specialist Grant Program which funds high-poverty schools to train, using evidence-based practices, and hire literacy coaches and reading specialist for one-on-one and small group intervention for struggling readers.

Special Education: The 2023-24 Proposed State Budget reflects programmatic changes which limit the amount of additional funding that Special Education Local Plan Areas ("**SELPAs**") are allowed to retain for non-direct student services before allocating special education base funding to their member local educational agencies and stabilizes current SELPA membership by extending a moratorium on the creation of new single-district SELPAs by two years from June 30, 2024, to June 30, 2026.

Educator Workforce: The 2023-24 Proposed State Budget notes that the 2021 Budget Act and the 2022 Budget Act included several multi-year investments to better prepare, train, recruit, and retain a diverse, expert workforce of administrative, credentialed, and classified staff and notes that the Administration remains committed to the thoughtful implementation and administration of the programs in the coming year.

Arts and Cultural Enrichment: Beginning in 2023-24, the Arts and Music in Schools—Funding Guarantee and Accountability Act (approved by voters in November 2022 as Proposition 28), requires an amount equal to one percent of the Proposition 98 Guarantee to be allocated to schools to increase arts instruction and/or arts programs in public education. As a result, the 2023-24 Proposed State Budget includes approximately $941 million to fund Proposition 28. Given this investment and the need for one-time funds to cover the costs of the LCFF in 2022-23 and 2023-24, the 2023-24 Proposed State Budget reflects a reduction of approximately $1.2 billion Proposition 98 General Fund from the Arts, Music, and Instructional Materials Discretionary Block Grant included in the 2022 Budget Act, taking this one-time allocation from approximately $3.5 billion Proposition 98 General Fund to approximately $2.3 billion Proposition 98 General Fund.

Other K-12 Budget Adjustments: Other significant adjustments proposed in the 2023-24 Proposed State Budget include:

> *Local Property Tax Adjustments:* A decrease of $153 million Proposition 98 General Fund for school districts and county offices of education in 2022-23, and a decrease of $1.3 billion ongoing Proposition 98 General Fund for school districts and county offices of education in 2023-24, as a result of increased offsetting property taxes.
>
> *Cost-of-Living Adjustments:* An increase of $669 million ongoing Proposition 98 General Fund to reflect an 8.13% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.
>
> *School Facility Program:* A decrease of $100 million General Fund in planned support for the School Facility Program, taking the planned allocation in 2023-24 from approximately $2.1 billion to approximately $2.0 billion.

LAO Overview Report. The LAO, a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, generally releases its initial overview report on a proposed state budget a week or so after the release of the Governor's proposed state budget. The 2023-24 Proposed State Budget overview is available from the LAO at www.lao.ca.gov. Such information is not incorporated herein by reference.

Disclaimer Regarding State Budgets. The implementation of the 2022-23 State Budget, and future 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 associated with proposed spending reductions, (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 School District cannot predict the impact that the 2022-23 State Budget, or subsequent state budgets, will have on its own finances and operations. *However, the Refunding Bonds are secured by ad valorem property taxes levied and collected on taxable property without limit as to rate or amount, and are not secured by a pledge of revenues of the School District or its general fund.* The novel COVID-19 pandemic resulted in significant negative economic effects at State and federal levels the last couple of years, and additional negative economic effects are possible and could negatively impact anticipated State revenue levels for Fiscal Year 2022-23 and beyond. In addition, as indicated above, a health crisis could also result in higher State expenditures, of both a direct nature (such as those related to managing the health crisis) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "EMERGENCY PREPAREDNESS PROGRAM; CORONAVIRUS (COVID-19)" in the forepart of this Official Statement. The School District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 pandemic described above. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the School District.

The State has not entered into any contractual commitments with the School District, the County, the Underwriter or the owners of the Refunding Bonds to provide State budget information to the District or the owners of the Refunding Bonds. Although they believe the sources of information listed herein are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. For additional information regarding the 2022-23 State Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Refunding Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in the future by the State legislature or the Governor to address the State's changing revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget action will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations 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.

The District cannot predict if or to what extent the District may be affected by any such lawsuit.

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CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an ad valorem property tax levied by the County for the payment thereof. (See "THE REFUNDING BONDS – Security" in the forepart of the Official Statement herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 1A, 2, 22, 26, 30, 39, 55, 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 County to levy taxes and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the principal of and interest on the Refunding Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws.

Constitutionally Required Funding of Education

The California 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

On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the California Constitution ("**Article XIIIA**"). Article XIIIA, as amended, limits the amount of any *ad valorem* property taxes on real property to 1% of the "full cash value" thereof, and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* property taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) as a result of an amendment to Article XIIIA approved by the State voters on June 3, 1986, bonded indebtedness for the acquisition or improvement of real property which had been approved on or after July 1, 1978, by two-thirds or more of the votes cast by the voters voting on the proposition, or (iii) as a result of an amendment to Article XIIIA approved by State voters voting 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 school district voting on the proposition, but only if certain accountability measures are included in the proposition as provided by Proposition 39 (as defined below). The tax for payment of the Refunding Bonds falls within the exception for bonds approved by in excess of 55% of the votes cast on the measure in 2012.

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 has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, including a general economic downturn, 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 various 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 directly levy any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

All taxable property is shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property, adjusted for inflation) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. 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 State Board of Equalization 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 was 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.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the State Board of Equalization, 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.

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as aid under the State's school financing formula.

Article XIIIB of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations" was approved on November 6, 1979 thereby adding Article XIIIB to the California Constitution ("**Article XIIIB**"). Under Article XIIIB, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit". Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is based on certain Fiscal Year 1978-79 expenditures, and adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any two consecutive years exceed the combined appropriations limits for those two years, a portion of the excess is transferred to the State School Fund for elementary, secondary and community college education and a portion of the excess may have to be returned by revising tax rates or fee schedules over the subsequent two years. The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "**Gann limit**") are generally within the allowable limit.

In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIIIB were modified by Proposition 111 in 1990 (see "Proposition 111" below).

Proposition 98

On November 8, 1988, California voters approved Proposition 98 ("**Proposition 98**"), a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "**K-14 school**

districts") at a level equal to the greater of (a) the same percentage of State General Fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87, or (b) the amount actually appropriated to such districts from the State General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature (the "**Legislature**") to suspend this formula for a one-year period. (See "STATE FUNDING OF SCHOOL DISTRICTS; RESTRUCTURING OF THE K-12 FUNDING SYSTEM – Education Funding Generally" and "SCHOOL DISTRICT FINANCIAL INFORMATION" above.)

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount 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 of California approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("**Proposition 111**") which modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the California Constitution with respect to appropriations limitations and school funding priority and allocation. Proposition 111 took effect on July 1, 1990.

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 is 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 State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the 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, was recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to Fiscal Year 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) a certain percentage 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, school districts will receive the greater of (1) the first test, (2) the second test, or (3) a third test (defined below), which will replace the second test in any year when growth in per capita State General Fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor (the "third test"). If the third test is used in any year, the difference between the third test and the second test will become a "credit" (also referred to as a "**maintenance factor**") to school districts which will be paid in future years when State General Fund revenue growth exceeds personal income growth.

Article XIIIC and Article XIIID of the State Constitution; Proposition 218

An initiative measure entitled "Right to Vote on Taxes Act," also known as Proposition 218 ("**Proposition 218**"), was approved by the California voters at the November 5, 1996, State-wide general election, and became effective on November 6, 1996. Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("**Article XIIIC**" and "**Article XIIID**," respectively) to the California Constitution. Articles XIIIC and XIIID 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. All references herein to Articles XIIIC and XIIID are generally references to the text as set forth in Proposition 218.

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 imposed by a local government is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

Article XIIIC also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The Refunding Bonds represent a contract between the School District and the Owners secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Refunding Bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the School District. No developer fees imposed by the School District are pledged or expected to be used to pay the Refunding Bonds.

Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Articles XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one percent *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. 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 Refunding Bonds.

The interpretation and application of Proposition 218 and the United States Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "**Proposition 39**") to the California Constitution. Upon passage of Proposition 39, implementing legislation entitled "Strict Accountability in Local School Construction Bonds Act of 2000" (the "**Strict Accountability in Local School Construction Bonds Act**") became operative. Proposition 39 (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments of Proposition 39 may be changed only with another State-wide vote of the people. The statutory provisions of the Strict Accountability in Local School Construction Bonds Act, as amended could be changed by a majority vote of both houses of the State Legislature and approved by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition and implementing legislation 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 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. The Strict Accountability in Local School Construction Bonds Act approved in June 2000, as amended, 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 (i) $60 for a unified school district or school facilities improvement district formed by a unified school district, (ii) $30 for an elementary school district or a high school district, or (iii) $25 for a community college district, per $100,000 of taxable property value. These requirements are statutory provisions and are not part of the Proposition 39 changes to the California Constitution. The Strict Accountability in Local School Construction Bonds Act statutory provisions can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A ("**Proposition 1A**"), which amended the California 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 Fiscal Year 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 California 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 2

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

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

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

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

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

Senate Bill 751 ("**SB 751**"), enacted on October 11, 2017, requires that in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Refunding Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 751 to adversely affect the payment of the principal of and interest on the Refunding Bonds as and when due.

Proposition 22

Proposition 22 ("**Proposition 22**"), a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved by the voters of the State on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the California 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 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 26

On November 2, 2010, voters in the State approved Proposition 26 ("**Proposition 26**"). Proposition 26 amended Article XIIIC of the California Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article 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.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "**Proposition 30**"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30, as enacted, 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, for storage, use or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. Proposition 30 temporarily increased the personal income tax rate on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year.

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and " – Proposition 111" herein. 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.

Proposition 55

The California Extension of the Proposition 30 Income Tax Increase Initiative, also known as Proposition 55 ("**Proposition 55**"), was approved by voters on November 8, 2016. The Proposition 55 summary is as follows:

- Extends by twelve years the temporary personal income tax increases enacted in 2012 on earnings over $250,000 for single filers (over $500,000 for joint filers; over $340,000 for heads of household); [(1)]

- Allocates these tax revenues 89% to K-12 schools and 11% to California Community Colleges;

(1) Proposition 55 did not extend Proposition 30's sales tax increase, which expired at the end of 2016.

- Allocates up to $2 billion per year in certain years for healthcare programs; and
- Bars use of education revenues for administrative costs, but provides local school boards discretion to decide, in open meetings and subject to annual audit, how revenues are to be spent.

The District's budget projections for future fiscal years will be adjusted to reflect approval of Proposition 55 and the resulting impact on District revenues.

Proposition 62; Statutory Limitations

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

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

State Cash Management Legislation

Since 2002, the State engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals were codified. In recent years, the State has paid down the deferrals. For example, the 2020-21 State Budget included the State deferral of some apportionments from Fiscal Year 2019-20 to Fiscal Year 2020-21 and from Fiscal Year 2020-21 to Fiscal Year 2021-22. In addition, in the 2017-18 Proposed Budget, former the Governor Brown proposed deferring $859.1 million in LCFF expenditures from June 2017 to July 2017, to maintain Fiscal Year 2016-17 programmatic expenditure levels in light of a reduction to Proposition 98 funding for Fiscal Year 2016-17 compared to the 2016-17 Budget. The 2017-18 Proposed Budget proposed to immediately repay the deferral in Fiscal Year 2017-18. The final budget for Fiscal Year 2017-18 did not defer apportionments to school districts. The District cannot predict whether or to what extent the State will engage in the practice of deferring certain apportionments to school districts in the future.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and " – Proposition 111" above.

Future Initiatives and Legislation

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26, 30, 39 (approved in 2000 authorizing a 55% approval of school bonds), 98, 111 and 218 were each adopted pursuant to a measure qualified for the ballot pursuant to the State's constitutional initiative process, Propositions 1A and 39 (approved in 2012 relating to a State grant program for energy efficiency projects) were each legislatively-referred constitutional amendments which were approved by the electorate, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by State voters or legislation enacted by the State Legislature. For example, during 2013, a proposal (2013-14 Assembly Bill 182) was introduced in the State Legislature and later enacted to place limitations on the ability of school districts to issue capital appreciation bonds or convertible capital appreciation bonds commencing on and after January 1, 2014. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, any city whose students are served by the District, the District or local districts to increase revenues, to increase appropriations, or affect the timing of issuance and/or the structure of future series of school district general obligation bonds.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2021

Annual Financial Report
June 30, 2021

Pajaro Valley Unified School District

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Financial Section

Independent Auditor's Report

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pajaro Valley Unified School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, Budgetary Comparison Schedule on page 64, Schedule of Changes in Net OPEB Liability and Related Ratios on page 65, Schedule of District OPEB Contributions on page 66, Schedule of Investment Returns on 67, Schedule of the Proportionate Share of the Net Pension Liabilities on page 68 and Schedule of Contributions on pages 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
February 25, 2022

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

294 Green Valley Road, Watsonville, CA 95076
(831) 786-2100

Management's Discussion and Analysis

The Management's Discussion and Analysis section of the 2020-2021 Annual Financial Audit summarizes the District's changes in financial position during the fiscal year ending June 30, 2021. The District's financial statements adhere to standards and requirements prescribed under the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements

The Financial Statements

The financial statements presented herein include all of the activities of the Pajaro Valley Unified School District (the District) using the integrated approach as prescribed by generally accepted accounting principles.

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

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

- The *Governmental Fund Financial Statements* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

- The *Proprietary Fund Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting.

- The *Fiduciary Fund Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The District is a primary government represented in this report. The District also includes five charter schools established and overseen pursuant to the *Education Code*. They include Linscott Charter School, Watsonville Charter School of the Arts, Pacific Coast Charter School, Alianza Charter School, and Diamond Technology Institute. Financial information for the charter schools is included in the special revenue, charter school fund of the District.

Financial Highlights of the Past Year

- The District's net position decreased by $17 million as a result of this year's changes in pension liabilities and OPEB liabilities. The changes were related to discount rates and rate of returns on investments dedicated for pension liabilities.
- The District's expenses increased $25 million over last year mainly due to changes in salaries and benefits. The District's total expenses for the current year were at $389 million compared to $364 million last year.
- The District's net OPEB liability increased from $106 to $131 million due to costs of $15 million and increases to deferrals of $14 million. The District's funded amount of the OPEB liability is at $3.8 million.
- The General Fund reported an increase in fund balance of $20.8 million and the ending fund balance of the general fund was $39.4 million. The increase was the result of current loans issued in March 2021 in the amount of $24.7 million.
- The District spent $6.6 million on school modernization projects and the remaining unspent proceeds from the District's general obligation bonds are at $27.2 million at year-end.

Reporting the District as A Whole

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. These statements are one measure of the District's financial health and position. Over time, increases or decreases in the District's net position is one indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

Overall, these factors are subject to significant influences from state and federal education funding policies. As a result of current economic conditions, they have undergone dramatic fluctuations over the past five fiscal years. These changes have largely been unforeseen and unprecedented. Projections indicate this condition will continue over the next two fiscal years.

Reporting the District's Most Significant Funds

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to all students, and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the instructional program, academic achievement among students, and the safety and condition of school facilities are important components in the evaluation of District effectiveness.

In the Statement of Net Position and the Statement of Activities, we include the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of transitional kindergarten through grade twelve students, adult education students, the operation of child development activities, other student services, and the on-going effort to improve and maintain buildings and sites. Property taxes, state education funding, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by general obligation bond covenants. In addition, District leadership establishes many other funds to provide appropriate fiscal control and accountability to manage money for particular purposes. Specified funds will also provide legally required reporting demonstrating the District's compliance with state and federal education funding requirements and other legal/statutory guidelines.

Governmental Funds - Most of the District's basic services are reported in governmental funds. These focus on how money flows into and out of those funds and the balances left at year-end. Specific 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 near future to finance District programs. The differences of results in the governmental fund financial statements compared to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The Internal Service Fund is reported with governmental activities in the government-wide financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for a private-purpose trust and employee retiree benefits and pensions. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position. We exclude these activities from the District's governmentwide financial statements because the District cannot use these assets to finance its general operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Net Position

The District's net position was a deficit of $249 million and a deficit of $232 million for the fiscal years ended June 30, 2021 and 2020, respectively. Of this amount, a deficit net position of $298 million and $274 million were unrestricted for fiscal years ending June 30, 2021 and 2020, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

	Table 1: Governmental Activities			
	2021	2020	Var$	Var%
Assets				
Current and other assets	$ 162,524,421	$ 113,600,089	$ 48,924,332	43.1%
Capital assets	185,638,344	193,108,673	(7,470,329)	-3.9%
Total assets	348,162,765	306,708,762	41,454,003	13.5%
Deferred outflows of resources	99,623,503	98,582,106	1,041,397	1.1%
Liabilities				
Current liabilities	57,270,038	25,119,065	32,150,973	128.0%
Long-term liabilities	617,000,745	592,503,795	24,496,950	4.1%
Total liabilities	674,270,783	617,622,860	56,647,923	9.2%
Deferred inflows of resources	22,640,653	19,780,881	2,859,772	14.5%
Net Position (deficit)				
Net investment in capital assets	5,895,821	20,472,067	(14,576,246)	-71.2%
Restricted	43,549,264	22,187,235	21,362,029	96.3%
Unrestricted	(298,570,253)	(274,772,175)	(23,798,078)	8.7%
Total net deficit position	$ (249,125,168)	$ (232,112,873)	$ (17,012,295)	7.3%

The deficit unrestricted net position of $298 million represents the accumulated results of all past years' operations. The deficit net position resulted from the unfunded pension and OPEB liabilities.

Changes in Net Position

The results of 2020-2021 general operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement and rearranges it slightly so you can see our total revenues and expenses for the year.

Table 2: Governmental Activities

	2021	2020	Var$	Var%
Revenues				
Program revenues				
Charges for services	$ 290,771	$ 666,652	$ (375,881)	-56.4%
Operating grants and contributions	132,987,949	84,516,756	48,471,193	57.4%
General revenues				
Federal and State aid not restricted	126,760,860	133,906,284	(7,145,424)	-5.3%
Property taxes	93,806,835	91,295,217	2,511,618	2.8%
Other general revenues	18,834,294	6,997,248	11,837,046	169.2%
Total revenues	372,680,709	317,382,157	55,298,552	17.4%
Expenses				
Instruction-related	282,391,408	261,981,385	20,410,023	7.8%
Pupil services	57,590,583	49,771,683	7,818,900	15.7%
Administration	14,076,334	8,256,307	5,820,027	70.5%
Plant services	18,203,145	25,494,594	(7,291,449)	-28.6%
All other services	17,431,534	19,011,402	(1,579,868)	-8.3%
Total expenses	389,693,004	364,515,371	25,177,633	6.9%
Change in net position	$ (17,012,295)	$ (47,133,214)	$ 30,120,919	-63.9%

Governmental Activities

As reported in the Statement of Activities, the cost of all governmental activities in 2020-2021 was $390 million. However, the amount that District taxpayers ultimately financed for related activities through local taxes was only $239 million. This is because $133 million was paid by those benefiting from District programs or by other governments and organizations who subsidized certain programs with grants and contributions. The District paid for the remaining "public benefit" portion of its governmental activities with State and federal funds and with other revenues, such as interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions (total cost less revenues generated by the activities). As noted above, net cost includes the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows members of the public to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3: Total Cost of Services

	2021	2020	Var$	Var%
Instruction-related	$ 282,391,408	$ 261,981,385	$ 20,410,023	7.8%
Pupil services	57,590,583	49,771,683	7,818,900	15.7%
Administration	14,076,334	8,256,307	5,820,027	70.5%
Plant services	18,203,145	25,494,594	(7,291,449)	-28.6%
All other services	17,431,534	19,011,402	(1,579,868)	-8.3%
Total	$ 389,693,004	$ 364,515,371	$ 25,177,633	6.9%

General Fund Highlights

A District of this size and complexity will often see a three to five percent swing in its final ending balance between estimated and unaudited actuals. In addition, District revenues and expenditures are now influenced by changes in the state's Local Control Funding Formula (LCFF). In 2020-2021, the District's ending balance increased by $21 million. This was primarily due to an issuance of current loans. District staff provided the Board of Trustees public information highlighting projected and actual variances to the District's expenditures and revenues over the course of the fiscal year. This is a standard practice. This information can be found on the District's website (www.pvusd.net) in the Business Services section.

2020-2021 fiscal year was the eight year of working with the newly implemented Local Control Funding Formula (LCFF) and Local Control Accountability Plan (LCAP). The District engaged the various stakeholder groups to provide specific input and implementation requirements for the LCAP. The District continued to align the budget and its LCAP as required by law. The District's current year LCAP was adopted as part of its 2021-2022 Budget.

As part of the LCAP the District planned the transfer of Career Tech Ed from the County Office of Education, added additional technology innovative programs, increased support of middle school sports, and increase access to visual and performing arts curriculum.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021 and 2020, the District had $186 million and $193 million, net of depreciation in a broad range of capital assets including land, buildings, furniture and equipment. The District’s capital outlays were $25 million and mainly funded with proceeds from general obligation bonds.

	Table 4: Governmental Activities			
	2021	2020	Var$	Var%
Land and construction in progress	$ 27,559,827	$ 78,148,900	$(50,589,073)	-64.7%
Buildings and improvements	155,512,706	112,097,762	43,414,944	38.7%
Equipment	2,565,811	2,862,011	(296,200)	-10.3%
Total	$ 185,638,344	$ 193,108,673	$ (7,470,329)	-3.9%

This year's additions to capital assets are primarily from the site improvement and Measure L projects at various sites. Projects were started using the District's Measure L general obligation bond funds and approximately $7 million of the additions to capital assets were Measure L projects. Measure L was enacted by District voters in November 2012.

Long-Term Debt

At the end of this year, the District had $188.8 million in bonds outstanding. The District's long-term debt is summarized below.

	Table 5: Governmental Activities			
	2021	2020	Var$	Var%
Long-Term Liabilities				
General obligation bonds	$ 188,823,874	$ 193,342,923	$ (4,519,049)	-2.3%
Unamortized bond premiums	10,612,449	11,132,658	(520,209)	-4.7%
Certificates of participation	14,795,000	15,335,000	(540,000)	-3.5%
Unamortized COP premiums	221,542	237,367	(15,825)	-6.7%
Compensated absences	1,673,707	1,643,474	30,233	1.8%
Claims liability	2,204,787	2,470,950	(266,163)	-10.8%
Net OPEB liability	130,774,469	105,830,065	24,944,404	23.6%
Aggregate net pension liability	267,894,917	262,511,358	5,383,559	2.1%
Total	$ 617,000,745	$ 592,503,795	$ 24,496,950	4.1%

The State limits the amount of general obligation debt school districts can issue to 2.5% of the assessed value of all taxable property within a district's legal boundaries.

Other financial obligations include compensated absences payable, capital leases, and other long-term debt. We present more detailed information regarding the District's long-term obligations in Note 11 of the financial statements.

Net Pension Liability (NPL) and Net OPEB Liability (NOL)

The District reported $267.9 million and $262.5 million net pension liability in its statement of net position in 2020-2021 and 2019-2020, respectively. In addition, the District reported $130.8 million and $105.8 million in net OPEB liabilities for the same years. The increases in these liabilities were mainly related to change in the investment returns and a change in the discount rate.

Fiscal Outlook for 2021-2022

In considering the District Budget for the 2021-2022 year, the District Board and management evaluates many factors. Major factors impacting the District are the economy and changes in enrollment. The District creates a projection of LCFF revenue based on the FCMAT/BASC calculator. The District's ADA has been projected using a reduction in ADA based on lower enrollment numbers. Additionally, the District has forecasted for employee benefits increases. A significant portion of the employee benefits increases are the result of STRS and PERS (employee retirement systems) increasing rates. These indicators were taken into account when adopting the General Fund budget for 2021-2022. Amounts available for appropriation in the General Fund budget are $264.2 million an increase of 15.8% compared to the $228.1 million in 2020-2021.

Contacting the District's Financial Management

The annual financial report is designed to provide District citizens, taxpayers, investors and creditors with a general overview of the District's finances and accountability for the public funds it administers under law. For additional information and/or questions about this report or other District financial activities, please contact: Director of Finance, Pajaro Valley Unified School District, 294 Green Valley Road, Watsonville, CA 95076.

	Governmental Activities
Assets	
Deposits and investments	$ 99,229,969
Receivables	59,244,687
Prepaid expense	3,723,428
Stores inventories	326,337
Capital assets not depreciated	27,559,827
Capital assets, net of accumulated depreciation	158,078,517
Total assets	348,162,765
Deferred Outflows of Resources	
Deferred charge on refunding	7,472,943
Deferred outflows of resources related to OPEB	24,707,791
Deferred outflows of resources related to pensions	67,442,769
Total deferred outflows of resources	99,623,503
Liabilities	
Accounts payable	16,841,187
Interest payable	2,567,270
Unearned revenue	13,196,581
Current loans	24,665,000
Long-term liabilities	
Long-term liabilities other than OPEB and pension	
Due within one year	8,015,575
Due in more than one year	210,315,784
Net other postemployment benefits liability (OPEB)	
Due in more than one year	130,774,469
Aggregate net pension liabilities - due in more than one year	267,894,917
Total liabilities	674,270,783
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,281,031
Deferred inflows of resources related to pensions	21,359,622
Total deferred inflows of resources	22,640,653
Net Position	
Net investment in capital assets	5,895,821
Restricted for	
Debt service	5,382,104
Capital projects	8,513,844
Food services	9,379,577
Educational programs	20,273,739
Unrestricted deficit	(298,570,253)
Total net position (deficit)	$ (249,125,168)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Changes in Net: Governmental Activities
Governmental Activities				
Instruction	$212,982,520	$ 58,376	$ 66,947,505	$ (145,976,639)
Instruction-related activities				
Supervision of instruction	30,910,579	13,959	14,539,132	(16,357,488)
Instructional library, media, and technology	14,127,955	979	8,110,284	(6,016,692)
School site administration	24,370,354	491	1,062,529	(23,307,334)
Pupil services				
Home-to-school transportation	8,247,284	-	445,633	(7,801,651)
Food services	15,133,242	31,511	17,924,565	2,822,834
All other pupil services	34,210,057	4,985	10,546,949	(23,658,123)
Administration				
Data processing	3,479,953	1,099	68,711	(3,410,143)
All other administration	10,596,381	4,416	3,164,851	(7,427,114)
Plant services	18,203,145	26,899	4,019,890	(14,156,356)
Ancillary services	3,068,967	2,639	426,032	(2,640,296)
Community services	6,852	52	2,038	(4,762)
Enterprise services	6,438,859	-	-	(6,438,859)
Interest on long-term liabilities	7,700,829	-	-	(7,700,829)
Other outgo	216,027	145,365	5,729,830	5,659,168
Total primary government	$389,693,004	$ 290,771	$132,987,949	(256,414,284)
General Revenues and Subventions				
Property taxes, levied for general purposes				81,867,606
Property taxes, levied for debt service				10,764,091
Taxes levied for other specific purposes				1,175,138
Federal and State aid not restricted to specific purposes				126,760,860
Interest and investment earnings				563,979
Miscellaneous				18,270,315
Total general revenues				239,401,989
Change in Net Position				(17,012,295)
Net Deficit Position (Deficit) - Beginning				(232,112,873)
Net Deficit Position (Deficit) - Ending				$ (249,125,168)

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 33,984,959	$ 27,288,539	$ 30,206,395	$ 91,479,893
Receivables	50,447,232	-	8,778,562	59,225,794
Due from other funds	1,968,048	-	18,053	1,986,101
Prepaid items	3,723,428	-	-	3,723,428
Stores inventories	151,980	-	174,357	326,337
Total assets	$ 90,275,647	$ 27,288,539	$ 39,177,367	$ 156,741,553
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 15,038,019	$ 51,140	$ 1,751,946	$ 16,841,105
Due to other funds	-	-	3,439,724	3,439,724
Current loan	24,665,000	-	-	24,665,000
Unearned revenue	11,123,814	-	2,072,767	13,196,581
Total liabilities	50,826,833	51,140	7,264,437	58,142,410
Fund Balances				
Nonspendable	4,090,408	-	174,357	4,264,765
Restricted	14,203,604	27,237,399	31,738,573	73,179,576
Unassigned	21,154,802	-	-	21,154,802
Total fund balances	39,448,814	27,237,399	31,912,930	98,599,143
Total liabilities and fund balances	$ 90,275,647	$ 27,288,539	$ 39,177,367	$ 156,741,553

Total Fund Balance - Governmental Funds		$ 98,599,143
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 442,132,196	
Accumulated depreciation is	(256,493,852)	
Net capital assets		185,638,344
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,567,270)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		7,017,723
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (defered charge on refunding)	7,472,943	
Net other postemployment benefits (OPEB)	24,707,791	
Net pension liability	67,442,769	
Total deferred outflows of resources		99,623,503
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net other postemployment benefits (OPEB)	(1,281,031)	
Net pension liability	(21,359,622)	
Total deferred inflows of resources		(22,640,653)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(267,894,917)

The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(130,774,469)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	(199,436,323)	
Certificates of participation	(15,016,542)	
Compensated absences (vacations)	(1,673,707)	
Total long-term liabilities		(216,126,572)
Total net position - governmental activities		$ (249,125,168)

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 188,572,551	$ -	$ 15,789,455	$ 204,362,006
Federal sources	36,944,668	-	27,009,450	63,954,118
Other State sources	53,324,265	-	15,468,664	68,792,929
Other local sources	4,094,105	240,111	13,090,794	17,425,010
Total revenues	282,935,589	240,111	71,358,363	354,534,063
Expenditures				
Current				
Instruction	146,441,384	-	21,893,917	168,335,301
Instruction-related activities				
Supervision of instruction	19,934,290	-	4,680,147	24,614,437
Instructional library, media, and technology	11,178,079	-	732,109	11,910,188
School site administration	14,331,945	-	5,275,015	19,606,960
Pupil services				
Home-to-school transportation	6,894,558	-	-	6,894,558
Food services	241,965	-	12,685,579	12,927,544
All other pupil services	25,097,480	-	2,184,557	27,282,037
Administration				
Data processing	2,918,565	-	-	2,918,565
All other administration	7,249,716	-	1,298,343	8,548,059
Plant services	12,131,513	-	1,833,253	13,964,766
Ancillary services	2,490,955	-	-	2,490,955
Community services	5,984	-	-	5,984
Other outgo	216,027	-	-	216,027
Capital outlay	11,786,632	12,170,713	708,451	24,665,796
Debt service				
Principal	540,000	-	6,215,000	6,755,000
Interest and other	800,687	-	5,546,333	6,347,020
Total expenditures	262,259,780	12,170,713	63,052,704	337,483,197
Excess (Deficiency) of Revenues Over Expenditures	20,675,809	(11,930,602)	8,305,659	17,050,866
Other Financing Sources (Uses)				
Transfers in	188,555	-	98,982	287,537
Transfers out	(98,982)	(188,555)	-	(287,537)
Net Financing Sources (Uses)	89,573	(188,555)	98,982	-
Net Change in Fund Balances	20,765,382	(12,119,157)	8,404,641	17,050,866
Fund Balance - Beginning	18,683,432	39,356,556	23,508,289	81,548,277
Fund Balance - Ending	$ 39,448,814	$ 27,237,399	$ 31,912,930	$ 98,599,143

Total Net Change in Fund Balances - Governmental Funds		$ 17,050,866
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (32,136,125)	
Capital outlays	24,665,796	
Net expense adjustment		(7,470,329)
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(1,695,951)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(30,233)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(18,614,078)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(12,950,417)
Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.		(581,843)
Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		536,034

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	6,215,000
Certificates of participation	540,000
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	387,951
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	(399,295)
Change in net position of governmental activities	$ (17,012,295)

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 7,750,076
Receivables	18,893
Due from other funds	1,453,623
Total assets	9,222,592
Liabilities	
Current liabilities	
Accounts payable	82
Claims liability	551,197
Total current liabilities	551,279
Noncurrent liabilities	
Claims liability	1,653,590
Total liabilities	2,204,869
Net Position	
Unrestricted	7,017,723
Total net position	$ 7,017,723

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	$ 5,755,845
Operating Expenses	
Insurance	6,197,972
Operating Income (Loss)	(442,127)
Nonoperating Revenues (Expenses)	
Interest income	42,832
Change in Net Position	(399,295)
Total Net Position - Beginning	7,417,018
Total Net Position - Ending	$ 7,017,723

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash received from district funds	$ 5,736,952
Cash payments for insurance premiums or settlements	(6,617,032)
Net Cash Used for Operating Activities	(880,080)
Noncapital Financing Activities	
Transfer from district funds	3,493,584
Investing Activities	
Interest on investments	42,832
Net Change in Cash and Cash Equivalents	2,656,336
Cash and Cash Equivalents, Beginning	5,093,740
Cash and Cash Equivalents, Ending	$ 7,750,076
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
Operating (loss)	$ (442,127)
Changes in assets and liabilities	
Receivables	(18,893)
Accounts payable	(152,897)
Claims liability	(266,163)
Net Cash Used For Operating Activities	$ (880,080)

	Retiree Benefits Trust Fund	Private-Purpose Trust Fund
Assets		
Cash in county treasury	$ 8,007	$ 2,541,041
Equity mutual funds	3,897,925	-
Total assets	3,905,932	2,541,041
Liabilities		
Accounts payable	-	347,211
Total liabilities	-	347,211
Net Position		
Restricted for:		
Postemployment benefits other than pensions	3,905,932	-
Individuals and organizations	-	2,193,830
Total net position	$ 3,905,932	$ 2,193,830

	Retiree Benefits Trust Fund	Private-Purpose Trust Fund
Additions		
Private donations	$ -	$ 314,536
Employer contributions	3,776,187	-
Investment income	726,101	-
Interest	3,329	16,034
Total additions	4,505,617	330,570
Deductions		
Administrative expense	38,042	-
Scholarships awarded	-	253,117
Total deductions	3,814,229	253,117
Net Increase in Fiduciary Net Position	691,388	77,453
Net Position - Beginning	3,214,544	2,116,377
Net Position - Ending	$ 3,905,932	$ 2,193,830

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Pajaro Valley Unified School District was unified in 1964 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates sixteen elementary, six middle, three high school, one community day school, one continuation high school, an adult education school, twelve childcare centers, a migrant center and five charter schools.

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

The District has approved Charters for Diamond Technology Institute, Alianza Charter, Linscott Charter, Watsonville Charter School of Arts, Pacific Coast Charter and Ceiba College Preparatory Academy pursuant to *Education Code* Section 47605. All Charter Schools, except Ceiba, are operated by the District and their financial activities are accounted for in the charter school special revenue fund. Ceiba College Preparatory Academy, an independent charter school is not included in the primary government and is not considered a component unit of the District. Separate financial statements are not issued for the dependent charter schools of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

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

- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing Districts to account separately for the activities of District-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

- **Adult Education Fund** The Adult Education Fund is used to account separately for federal, State, and user fees restricted for adult education programs and is to be expended for adult education purposes only.

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

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

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

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term liabilities.

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

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

- **Internal Service Fund** Internal Service Fund may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates workers' compensations and dental programs that are accounted for in the Self-Insurance fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District's trust funds are *Retiree Benefits Trust* and *Private-Purpose Scholarship Trust funds*.

Basis of Accounting - Measurement Focus

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

Government-Wide Financial Statements The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their net position use.

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 365 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when resources are received by the District prior to the incurrence of qualifying expenditures or expenses. In subsequent periods, when revenue recognition criteria is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet/net position and revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2021, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the pools.

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Current Loans

Current loans consist of amounts outstanding at year end for Tax Revenue and Anticipation Notes. The notes were issued as short-term liabilities to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $25,000 with the exception to federally funded equipment and Food Services Program which has a threshold of $2,000 with a useful life of five years or more. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are reported at the acquisition cost amount at the date of donation.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 15 to 40 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

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

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

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to $1,673,707.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount and premium of the debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized amount on the refunding of general obligation bonds, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding, for pension related items, and for OPEB related items.

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 Benefit Trust Company, the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Benefit Trust Company, CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board, and chief business officer may assign amounts for specific purposes. The District currently does not have any Assigned funds.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3% of General Fund expenditures and other financing uses.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund amounts paid from other funds to the Self-Insurance fund to reimburse insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

Interfund Activity

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

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The Counties of Santa Cruz and Monterey bill and collect the taxes on behalf of the District. Local property tax revenues are recorded when received because the District uses the commonly approved Teeter plans.

Change in Accounting Principles

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this Statement have been implemented as of July 1, 2020.

New Accounting Pronouncements Effective in Future Fiscal Years

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2020, or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for the District for fiscal year 2021-2022. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 or Fiscal Year 2022-2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or fiscal year 2021-2022, except for the requirement relating to Statement 87 and Implementation Guide 2019-3; reinsurance recoveries, and terminology used to refer to derivative instruments which are effective upon issuance. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or fiscal year 2022-2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or fiscal year 2022-2023. The District is evaluating the impact of this Statement on the financial statements.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	$ 91,479,893
Proprietary funds	7,750,076
Fiduciary funds	6,446,973
Total deposits and investments	$ 105,676,942

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	$ 5,851,037
Cash with fiscal agent	3,897,925
Cash in revolving	150,000
Investments	95,777,980
Total deposits and investments	$ 105,676,942

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

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. Pooled investments, such as the county pool and mutual funds with the Benefit Trust Company were not rated on June 30, 2021.

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 Pool and mutual funds. The weighted average maturity for the mutual funds are less than one year. The cost and fair value of the deposits with the County Pool at June 30, 2021 approximate cost, and the weighted average maturity of the pool was 431 days.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of $415,000 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

Note 4 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	Governmental Funds			
	General Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government				
Categorical aid	$ 7,165,340	$ 2,699,951	$ 9,865,291	$ -
State Government				
LCFF apportionment	28,172,950	-	28,172,950	-
Categorical aid	13,986,340	3,229,988	17,216,328	-
Lottery	785,097	-	785,097	-
Local Government				
Other local sources	337,505	2,848,623	3,186,128	18,893
Total	$ 50,447,232	$ 8,778,562	$ 59,225,794	$ 18,893

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	$ 18,655,144	$ -	$ -	$ 18,655,144
Construction in progress	59,493,756	6,642,140	(57,231,213)	8,904,683
Total capital assets not being depreciated	78,148,900	6,642,140	(57,231,213)	27,559,827
Capital assets being depreciated				
Land improvements	29,771,661	40,028,840	-	69,800,501
Buildings and improvements	300,298,725	35,029,172	-	335,327,897
Furniture and equipment	9,247,114	196,857	-	9,443,971
Total capital assets being depreciated	339,317,500	75,254,869	-	414,572,369
Total capital assets	417,466,400	81,897,009	(57,231,213)	442,132,196
Accumulated depreciation				
Land improvements	(5,468,668)	(10,355,759)	-	(15,824,427)
Buildings and improvements	(212,503,956)	(21,287,309)	-	(233,791,265)
Furniture and equipment	(6,385,103)	(493,057)	-	(6,878,160)
Total accumulated depreciation	(224,357,727)	(32,136,125)	-	(256,493,852)
Governmental activities capital assets, net	$ 193,108,673	$ 49,760,884	$ (57,231,213)	$ 185,638,344

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

Governmental Activities	
Instruction	$ 17,484,326
Supervision of instruction	2,556,605
Instructional library, media, and technology	1,237,064
School site administration	2,036,498
Home-to-school transportation	716,111
Food services	1,342,733
All other pupil services	2,833,678
Data processing	303,140
All other administration	887,666
Plant services	2,478,956
Anciliary services	258,726
Community Services	622
Total depreciation expenses governmental activities	$ 32,136,125

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivables and payable balances arise from interfund transactions and are recorded by all funds affected in the period which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds, and proprietary funds are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Non-Major Governmental Funds	$ 1,968,048	$ 18,053	$ 1,453,623	$ 3,439,724

Interfund Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	Transfer From: General Fund	Transfer From: Non-Major Governmental Funds	Total
General Fund	$ -	$ 98,982	$ 98,982
Building Fund	188,555	-	188,555
Total	$ 188,555	$ 98,982	$ 287,537

General Fund transferred to Charter Schools to cover deficit spending	$ 68,805
The General Fund transferred to the Child Development Fund to support the Child Development Program.	30,177
Building Fund transferred to the General Fund for services provided in bond measures	188,555
Total	$ 287,537

Note 7 - Deferred Charge on Refunding

Deferred charge on refunding is a consumption of net position by the District that is applicable to a future reporting period. The $7,472,943 balance of the deferred outflows of resources at June 30, 2021 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

The change in the District's deferred charge on refunding is as follows:

	Balance June 30, 2020	Accretion/ Additions	Deductions	Balance June 30, 2021
Deferred charges on refunding	$ 8,054,786	$ -	$ 581,843	$ 7,472,943

Note 8 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	$ 4,713,638	$ 14,924	$ 1,726,168	$ 6,454,730	$ 82	$ 338,861
Salaries and benefits	10,324,381	36,216	25,778	10,386,375	-	8,350
Total	$ 15,038,019	$ 51,140	$ 1,751,946	$ 16,841,105	$ 82	$ 347,211

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 3,391,568	$ 1,024,399	$ 4,415,967
State categorical aid	2,504,889	227,160	2,732,049
Other local	5,227,357	821,208	6,048,565
Total	$ 11,123,814	$ 2,072,767	$ 13,196,581

Note 10 - Current Loans

Tax and Revenue Anticipation Notes

On March 29, 2021, the District issued $24,665,000 of Tax and Revenue Anticipation Notes bearing interest of 2.00% and which are due and payable before January 31, 2022. The District has pledged a portion of its State principal apportionment revenues in an amount equal to the principal and interest due on the notes.

The outstanding Tax and Revenue Anticipation Notes at June 30, 2021 are as follows:

Issue Date	Rate	Maturity Date	Outstanding June 30, 2020	Additions	Payments	Outstanding June 30, 2021
3/29/2021	2.00%	1/31/2022	$ -	$ 24,665,000	$ -	$ 24,665,000

Note 11 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 193,342,923	$ 1,695,951	$ (6,215,000)	$ 188,823,874	$ 5,083,064
Unamortized bond premiums	11,132,658	-	(520,209)	10,612,449	520,209
Certificates of participation	15,335,000	-	(540,000)	14,795,000	590,000
Unamortized COP premiums	237,367	-	(15,825)	221,542	15,825
Compensated absences	1,643,474	1,233,787	(1,203,554)	1,673,707	1,255,280
Claims liability	2,470,950	377,607	(643,770)	2,204,787	551,197
Total	$ 224,162,372	$ 3,307,345	$ (9,138,358)	$ 218,331,359	$ 8,015,575

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Regularly scheduled principal payments on the capital leases are paid by the General Fund. Accumulated vacation, supplemental employee retirement benefits, and net pension liability and net OPEB are paid by the funds for which the employees worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
2005	2030	3.00%-5.31%	$ 18,254,288	$ 32,082,923	$ 1,695,951	$ -	$ 33,778,874
2013	2048	3.00%-5.00%	68,540,000	28,620,000	-	-	28,620,000
2013	2038	0.63%-5.12%	11,460,000	2,920,000	-	(170,000)	2,750,000
2013	2023	0.73%-3.19%	19,675,000	8,530,000	-	(2,935,000)	5,595,000
2013	2023	2.00%-4.00%	9,765,000	4,465,000	-	(1,525,000)	2,940,000
2016	2045	2.00%-5.00%	40,000,000	36,690,000	-	-	36,690,000
2018	2047	4.00%-5.00%	30,000,000	29,500,000	-	(700,000)	28,800,000
2020	2044	0.82%-2.84%	50,535,000	50,535,000	-	(885,000)	49,650,000
				$ 193,342,923	$ 1,695,951	$ (6,215,000)	$ 188,823,874

Debt Service Requirements to Maturity

The bonds mature through fiscal year 2048 as follows:

Bonds Maturing Fiscal Year	Principal	Interest to Maturity	Total
2022	$ 5,083,064	$ 6,277,244	$ 11,360,308
2023	5,392,590	6,165,080	11,557,670
2024	3,000,859	8,941,789	11,942,648
2025	3,089,360	9,155,604	12,244,964
2026	3,224,761	9,373,829	12,598,590
2027-2031	18,198,653	44,762,671	62,961,324
2032-2036	20,560,000	24,576,877	45,136,877
2037-2041	35,460,000	19,555,935	55,015,935
2042-2046	54,835,000	10,658,470	65,493,470
2047-2048	20,865,000	778,975	21,643,975
Subtotal	169,709,287	$ 140,246,476	$ 309,955,763
Accretion to date	19,114,587		
Total general obligation bonds	$ 188,823,874		

Certificate of Participation

In December 2018, the District issued 2019 Certificates of Participation (COPs) in the amount of $16,160,000. The COPs proceeds were used to acquire the land and building located at 294 Green Valley Road where the District Office is currently located. The COPs mature during succeeding years through August 2034. The COPs accrue interest at a rate of 5.0%.

The following is a schedule of future payments for the Certificates of Participation:

Year Ending June 30,	Principal	Interest	Total
2022	$ 590,000	$ 725,000	$ 1,315,000
2023	650,000	694,000	1,344,000
2024	705,000	660,125	1,365,125
2025	770,000	623,250	1,393,250
2026	835,000	583,125	1,418,125
2027-2031	5,325,000	2,186,875	7,511,875
2032-2035	5,920,000	618,250	6,538,250
Total	$ 14,795,000	$ 6,090,625	$ 20,885,625

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 150,000	$ -	$ -	$ 150,000
Stores inventories	151,980	-	174,357	326,337
Prepaid items	3,723,428	-	-	3,723,428
For all other	65,000	-	-	65,000
Total nonspendable	4,090,408	-	174,357	4,264,765
Restricted				
Educational programs	14,203,604	-	2,538,640	16,742,244
Charter schools	-	-	3,531,495	3,531,495
Food service	-	-	9,205,220	9,205,220
Capital projects	-	27,237,399	8,513,844	35,751,243
Debt services	-	-	7,949,374	7,949,374
Total restricted	14,203,604	27,237,399	31,738,573	73,179,576
Unassigned	21,154,802	-	-	21,154,802
Total	$ 39,448,814	$ 27,237,399	$ 31,912,930	$ 98,599,143

Note 13 - Postemployment Health Care Plan and Other Postemployment Benefits (OPEB) Liability

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	$ 130,774,469	$ 24,707,791	$ 1,281,031	$ 12,950,417

Plan Administration

Pajaro Valley Unified School District administers the Postemployment Benefits Plan (the "Plan") – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District. Management of the Plan is vested in the District's Governing Board, which consists of seven locally elected plan members. At June 30, 2021, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	2,060
Active employees	174
Total	2,234

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses until age 65. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan except for the co-share amount of $56 to $90. The District's Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (PVFT), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2020-2021, the District contributed $3,776,187 to the plan, all of which was used for current premiums (approximately 100% of total premiums). Plan members are not required to contribute to the plan.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the District’s Governing Board by a majority vote of its members. It is the policy of the Governing Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Target Allocation
All Fixed Income	55%	4.500%
Real Estate Investment Trusts	4%	7.500%
All Domestic Equities	22%	7.500%
All International Equities	19%	7.500%
	100%	

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 3.56%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The component of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	$ 134,672,394
Plan fiduciary net position	(3,897,925)
Net OPEB liability	$ 130,774,469
Plan fiduciary net position as a percentage of the total OPEB liability	2.89%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	6/30/2021	
Valuation Date	6/30/2021	
Inflation	2.50%	
Salary increases	2.75%	average, including inflation
Discount rate	2.20%	
Investment rate of return	3.56%	net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00%	for 2020

Mortality rates were based on the 2020 CalSTRS Mortality, 2017 CalPERS Mortality for Miscellaneous and School Employees, as appropriate, with adjustments for mortality improvements based on CalPERS analysis.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 2020 CalSTRS Rates, and the 2017 CalPERS Rates for School Employees.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.2%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through 2021. Therefore, the long-term expected rate of return on OPEB plan investments and the 20-year municipal bond index was applied to the applicable periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	$ 109,039,930	$ 3,209,865	$ 105,830,065
Service cost	12,629,303	-	12,629,303
Interest	2,496,263	-	2,496,263
Employer contributions as benefit payments	-	3,776,187	(3,776,187)
Investment gains/(losses)	-	726,102	(726,102)
Difference between expected and actual experience	8,250,912	-	8,250,912
Changes of assumptions and other inputs	6,032,173	-	6,032,173
Benefit payments	(3,776,187)	(3,776,187)	-
Administrative expense	-	(38,042)	38,042
Net change in total OPEB liability	25,632,464	688,060	24,944,404
Balance, June 30, 2021	$ 134,672,394	$ 3,897,925	$ 130,774,469

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.2%) or 1 percentage point higher (3.2%) than the current discount rate:

Discount Rate	Net OPEB Liability
1% decrease (1.2%)	$ 141,222,806
Current discount rate (2.2%)	130,774,469
1% increase (3.2%)	120,810,955

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are percentage point lower (4% decreasing to 3%) or 1 percentage point higher (4% increasing to 5%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3%)	$ 114,228,543
Current healthcare cost trend rate (4%)	130,774,469
1% increase (5%)	150,669,560

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $12,950,417.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,887,391	$ 839,384
Changes of assumptions	16,820,400	-
Net difference between projected and actual earnings on OPEB plan investments	-	441,647
Total	$ 24,707,791	$ 1,281,031

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,	Deferred Outflows/(Inflows) of Resources
2022	$ 1,749,660
2023	1,763,152
2024	1,770,915
2025	1,764,610
2026	1,872,496
Thereafter	14,505,927
Total	$ 23,426,760

Note 14 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Schools Association For Excess Risk for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

Coverage provided by the Schools Association for Excess Risk for Property and Liability and the Pajaro Valley Unified School District Workers' Compensation Self-Insurance Program except for claims occurring on or after 7/1/12. These claims are covered through the Public Insurance Programs for Schools are as follows:

Insurance Program/ Company Name	Type of Coverage	Limits
Public Insurance Program for Schools	Workers' Compensation (Incidents after 7/1/12)	$ 1,000,000
Schools Association For Excess Risk	Property	250,250,000
Schools Association For Excess Risk	Liability	10,000,000
Schools Association For Excess Risk	Excess Liability	25,000,000

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

Liability Balance, July 1, 2019	$ 3,839,712
Claims and changes in estimates	257,650
Claims payments	(1,626,412)
Liability Balance, June 30, 2020	2,470,950
Claims and changes in estimates	377,607
Claims payments	(643,770)
Liability Balance, June 30, 2021	2,204,787
Current portion of Claim liabilities	551,197
Noncurrent portion of Claim liabilities	1,653,590
Liability Balance, June 30, 2021	$ 2,204,787
Assets available to pay claims at June 30, 2021	$ 9,222,510

Note 15 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 170,985,405	$ 47,571,894	$ 18,596,814	$ 21,682,785
CalPERS	96,909,512	19,870,875	2,762,808	21,160,140
Total	$ 267,894,917	$ 67,442,769	$ 21,359,622	$ 42,842,925

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were $15,117,297.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 170,985,405
State’s proportionate share of the net pension liability	88,142,996
Total	$ 259,128,401

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.1746% and 0.1877%, resulting in a net increase in the proportionate share of 0.0113%.

For the year ended June 30, 2021, the District recognized pension expense of $21,682,785. In addition, the District recognized pension expense and revenue of $12,347,969 for support provided by the State.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 15,117,297	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	11,417,760	13,774,732
Differences between projected and actual earnings on pension plan investments	4,061,628	-
Differences between expected and actual experience in the measurement of the total pension liability	301,711	4,822,082
Changes of assumptions	16,673,498	-
Total	$ 47,571,894	$ 18,596,814

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a remaining closed four-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (2,478,383)
2023	1,383,871
2024	2,760,978
2025	2,395,162
Total	$ 4,061,628

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 3,092,604
2023	3,427,838
2024	5,768,015
2025	(687,850)
2026	(388,031)
Thereafter	(1,416,421)
Total	$ 9,796,155

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. (Pension Consulting Alliance PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 258,335,129
Current discount rate (7.10%)	170,985,405
1% increase (8.10%)	98,865,907

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, and Schools Pool Actuarial Valuation. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were $9,111,550.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $96,909,512. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June, 30 2020 and June 30, 2019, respectively was 0.3158% and 0.3192%, resulting in a net increase in proportionate share of 0.0034%.

For the year ended June 30, 2021, the District recognized pension expense of $21,160,140. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,111,550	$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	3,580,192	2,762,808
Differences between projected and actual earnings on pension plan investments	2,017,348	-
Differences between expected and actual experience in the measurement of the total pension liability	4,806,414	-
Changes of assumptions	355,371	-
Total	$ 19,870,875	$ 2,762,808

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (754,933)
2022	673,374
2023	1,170,434
2024	928,473
Total	$ 2,017,348

The deferred (inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 4,781,905
2022	1,581,766
2023	(330,232)
2024	(54,270)
Total	$ 5,979,169

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expense the target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 139,325,095
Current discount rate (7.15%)	96,909,512
1% increase (8.15%)	61,706,706

Accumulated Program for Part-Time and Limited Services Employees (APPLE)

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the APPLE Retirement Program as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.3% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of $9,975,189 for June 30, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures.

Note 16 - Commitments and Contingencies

Construction Commitments

As of June 30, 2021, the District had $3,361,564 in construction commitments for its modernization projects.

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Note 17 - Participation in Public Entity Risk Pools, Joint Power Authorities and Other Related Party Transactions

The District is a member of Self Insured Schools of California (SISC), Northern California Regional Liability Excess Fund (NorCal ReLiEF), and Public Insurance Program for Schools (PIPS) public entity risk pools (JPAs). The District pays an annual premium to the applicable entity for its property and liability coverage, excess workers' compensation and excess medical insurance. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPA has a budgeting and financial reporting requirement independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements.

Note 18 - Subsequent Events

On October 20, 2021 the District refunded portions of the 2019 certificates of participation. The District retired $14,205,000 of principal to originate $12,590,000 of debt with a maturity of August 1, 2034. The interest rate of the 2021 refunding certificates of participation is 4.00%.

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Required Supplementary Information
June 30, 2021

Pajaro Valley Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$174,369,344	$188,393,683	$188,572,551	$ 178,868
Federal sources	24,289,327	46,054,495	36,944,668	(9,109,827)
Other State sources	27,495,222	40,116,150	53,324,265	13,208,115
Other local sources	1,908,357	4,650,691	4,094,105	(556,586)
Total revenues	228,062,250	279,215,019	282,935,589	3,720,570
Expenditures				
Current				
Certificated salaries	82,286,015	89,220,782	90,424,169	(1,203,387)
Classified salaries	39,105,797	39,881,588	38,925,234	956,354
Employee benefits	75,469,886	89,510,704	87,426,170	2,084,534
Books and supplies	11,043,668	25,303,055	16,563,476	8,739,579
Services and expenditures	18,775,050	34,604,922	25,994,172	8,610,750
Debt services	158,726	(351,264)	210,875	(562,139)
Capital outlay	3,201,519	3,507,662	2,715,684	791,978
Total expenditures	230,040,661	281,677,449	262,259,780	19,417,669
Excess (Deficiency) of Revenues Over Expenditures	(1,978,411)	(2,462,430)	20,675,809	23,138,239
Other Financing Sources (Uses)				
Transfers in	1,250,000	1,250,000	188,555	(1,061,445)
Transfers out	(364,185)	(116,111)	(98,982)	17,129
Net financing sources (uses)	885,815	1,133,889	89,573	(1,044,316)
Net Change in Fund Balances	(1,092,596)	(1,328,541)	20,765,382	22,093,923
Fund Balance - Beginning	18,683,432	18,683,432	18,683,432	-
Fund Balance - Ending	$ 17,590,836	$ 17,354,891	$ 39,448,814	$ 22,093,923

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	$ 12,629,303	$ 10,000,902	$ 7,038,018	$ 6,849,653	$ 6,666,329
Interest	2,496,263	3,205,293	3,102,693	2,908,224	2,539,977
Employer contributions	(3,776,187)	(4,156,065)	(3,581,038)	(3,479,241)	(3,345,424)
Difference between expected and actual experience	8,250,912	-	271,684	-	-
Changes of assumptions	6,032,173	11,322,429	1,914,699	(1,204,336)	-
Net change in total OPEB liability	25,632,464	20,372,559	8,746,056	5,074,300	5,860,882
Total OPEB Liability - Beginning	109,039,930	88,667,371	79,921,315	74,847,015	68,986,133
Total OPEB Liability - Ending (a)	$ 134,672,394	$ 109,039,930	$ 88,667,371	$ 79,921,315	$ 74,847,015
Plan Fiduciary Net Position					
Contributions - employer	$ 3,776,187	$ 4,156,065	$ 3,581,038	$ 3,479,241	$ 3,345,424
Net investment income	726,102	148,544	151,343	174,556	284,816
Benefit payments	(3,776,187)	(4,156,065)	(3,581,038)	(3,479,241)	(3,345,424)
Administrative expense	(38,042)	(34,170)	(32,896)	(32,696)	(30,503)
Net change in plan fiduciary net position	688,060	114,374	118,447	141,860	254,313
Plan Fiduciary Net Position - Beginning	3,209,865	3,095,491	2,977,044	2,835,184	2,580,871
Plan Fiduciary Net Position - Ending (b)	$ 3,897,925	$ 3,209,865	$ 3,095,491	$ 2,977,044	$ 2,835,184
Net OPEB Liability - Ending (a) - (b)	$ 130,774,469	$ 105,830,065	$ 85,571,880	$ 76,944,271	$ 72,011,831
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.89%	2.94%	3.49%	3.72%	3.79%
Covered-Employee Payroll	$ 146,755,736	$ 151,592,751	$ 153,593,936	$ 147,837,766	$ 137,357,251
Net OPEB Liability as a Percentage of Covered-Employee Payroll	89.11%	69.81%	55.71%	52.05%	52.43%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

	2021	2020	2019	2018	2017
Actuarially determined contribution	3,776,187	$ 4,156,065	$ 3,581,038	$ 3,479,241	$ 3,345,424
Contribution in relation to the actuarially determined contribution	3,776,187	4,156,065	3,144,629	3,664,714	4,987,447
Contribution deficiency (excess)	$ -	$ -	$ 436,409	$ (185,473)	$ (1,642,023)
Covered payroll	$ 146,755,736	$ 151,592,751	$ 153,593,936	$ 147,837,766	$ 137,357,251
Contributions as a percentage of covered payroll	2.6%	2.7%	2.0%	2.5%	3.6%

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

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	3.56%	3.83%	3.25%	2.65%	3.33%

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

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.1764%	0.1877%	0.1746%	0.1770%	0.1650%	0.1842%	0.1758%
Proportionate share of the net pension liability	$ 170,985,405	$ 169,491,078	$ 160,447,247	$ 163,703,335	$ 133,420,686	$ 124,038,926	$ 102,724,052
State's proportionate share of the net pension liability (asset)	96,909,512	92,468,698	91,863,553	96,845,510	75,954,016	65,602,918	62,029,218
Total	$ 267,894,917	$ 261,959,776	$ 252,310,800	$ 260,548,845	$ 209,374,702	$ 189,641,844	$ 164,753,270
Covered payroll	$ 97,932,690	$ 99,000,160	$ 95,011,566	$ 93,010,334	$ 70,863,691	$ 76,042,128	78,540,681
Proportionate share of the net pension liability as a percentage of its covered payroll	174.59%	171.20%	168.87%	176.01%	188.28%	163.12%	130.79%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS							
Proportion of the net pension liability	0.3158%	0.3192%	0.3009%	0.2716%	0.2741%	0.2932%	0.2922%
Proportionate share of the net pension liability	$ 96,909,512	$ 93,020,280	$ 80,241,523	$ 64,834,201	$ 54,132,557	$ 43,211,280	$ 33,166,972
Covered payroll	$ 45,822,053	$ 45,737,543	$ 42,627,191	$ 36,141,518	$ 32,900,920	$ 32,468,354	$ 33,581,056
Proportionate share of the net pension liability as a percentage of its covered payroll	211.49%	203.38%	188.24%	179.39%	164.53%	133.09%	98.77%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	$15,117,297	$16,746,490	$16,117,226	$13,710,169	$11,700,700	$ 7,603,674	$ 6,752,541
Less contributions in relation to the contractually required contribution	15,117,297	16,746,490	16,117,226	13,710,169	11,700,700	7,603,674	6,752,541
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$93,605,554	$97,932,690	$99,000,160	$95,011,566	$93,010,334	$70,863,691	$76,042,128
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	$ 9,111,550	$ 9,036,567	$ 8,261,115	$ 6,620,429	$ 5,019,334	$ 3,897,772	$ 3,821,850
Less contributions in relation to the contractually required contribution	9,111,550	9,036,567	8,261,115	6,620,429	5,019,334	3,897,772	3,821,850
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$44,017,150	$45,822,053	$45,737,543	$42,627,191	$36,141,518	$32,900,920	$32,468,354
Contributions as a percentage of covered payroll	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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 State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations.
- *Changes of* Assumptions – The investment rate of return was changed from 3.25% in 2019 to 3.56% in 2020.

Schedule of District OPEB Contributions

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.*
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from *the* previous valuations.

Schedule of District Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

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Supplementary Information
June 30, 2021

Pajaro Valley Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States	84.027	13379	$ 4,044,320
Special Education Grants to States	84.027	15197	212,787
Special Education Grants to States	84.027	15438	56,420
Special Education-Preschool Grants	84.173	13431	1,000
Special Education Preschool Grants	84.173	13007	16,853
Special Education Preschool Grants	84.173	13430	179,110
Total Special Education Cluster			4,510,490
Adult Education - Basic Grants to States	84.002	14508	226,947
Adult Education - Basic Grants to States	84.002	13978	85,400
Adult Education - Basic Grants to States	84.002	14109	47,040
Subtotal			359,387
COVID-19, Education Stabilization Fund			
Elementary and Secondary School			
Emergency Relief Fund (ESSER) Fund			
ESSER	84.425D	15536	501,805
ESSER II	84.425D	15547	80,934
Governor’s Emergency Education Relief Fund			
Learning Loss Mitigation	84.425C	15517	48,191
Subtotal			630,930
Migrant Education State Grant Program	84.011	14326	3,258,923
Title I Grants to Local Educational Agencies	84.010	14329	4,545,912
Title I Grants to Local Educational Agencies	84.010	15438	274,078
Supporting Effective Instruction State Grants	84.367	14341	744,168
English Language Acquisition State Grants	84.365	14346	753,425
English Language Acquisition State Grants	84.365	15146	3,602
Student Support and Academic Enrichment Program	84.424	15396	209,889
Twenty-First Century Community Learning Centers	84.287	14349	3,577,244
Education for Homeless Children and Youth	84.196	14332	175,455
Career and Technical Education - Basic Grants to States	84.048	14894	158,463
Special Education-Grants for Infants and Families	84.181	15197	246,523
Rehabilitation Services Vocational			
Rehabilitation Grants to States	84.126	10006	239,553
Total U.S. Department of Education			19,688,042

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Human Services			
Passed Through California Department of Education			
Child Care and Development Fund (CCDF) Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	660,626
COVID-19, Child Care and Development Block Grant Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act	93.575	15555	229,320
Total CCDF Cluster			889,946
Head Start Cluster			
Head Start	93.600	10016	7,592,983
Total Head Start Cluster			7,592,983
Total U.S. Department of Health and Human Services			8,482,929
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	14,704,519
School Breakfast Program	10.553	13526	1,800,998
Total Child Nutrition Cluster			16,505,517
Child and Adult Care Food Program	10.558	13393	93,347
Fresh Fruit and Vegetable Program	10.582	14968	411,972
Child Nutrition Discretionary Grants Limited Availability	10.579	14906	54,461
Total U.S. Department of Agriculture			17,065,297
U.S. Department of Treasury			
Passed Through California Department of Education			
COVID-19, Coronavirus Relief Fund	21.019	25516	18,717,850
Total U.S. Department of Treasury			18,717,850
Total Federal Financial Asssitance			$ 63,954,118

Organization

The Pajaro Valley Unified School District was established in 1964 and consists of an area comprising approximately 150 square miles. The District operates sixteen elementary, six middle, three high schools, one community day school, one continuation high school, an adult education school, twelve childcare centers, a migrant center and five charter schools. The District's boundaries remained unchanged in the fiscal year.

Governing Board

Member	Office	Term Expires
Kim De Serpa	President	2022
Maria Orozco	Vice President	2024
Georgia Acosta	Member	2024
Daniel Dodge Jr.	Member	2022
Jennifer Holm	Member	2022
Jennifer Schacher	Member	2022
Oscar Soto	Member	2024
Itzi Sanchez	Student Trustee	2022

Administration

Name	Title
Dr. Michelle Rodriguez	Superintendent

Grade Level	Number of Actual Days: Traditional Calendar	Number of Actual Days: Multitrack Calendar	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 6					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grades 7 - 8					
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Grade Level	Traditional Calendar	Multitrack Calendar	Total Days Offered	Status
Diamond Technology Institute				
Grade 9	180	N/A	180	In Compliance
Grade 10	180	N/A	180	In Compliance
Grade 11	180	N/A	180	In Compliance
Grade 12	180	N/A	180	In Compliance
Alianza Charter School				
Kindergarten	180	N/A	180	In Compliance
Grade 1	180	N/A	180	In Compliance
Grade 2	180	N/A	180	In Compliance
Grade 3	180	N/A	180	In Compliance
Grade 4	180	N/A	180	In Compliance
Grade 5	180	N/A	180	In Compliance
Grade 6	180	N/A	180	In Compliance
Grade 7	180	N/A	180	In Compliance
Grade 8	180	N/A	180	In Compliance
Linscott Charter School				
Kindergarten	180	N/A	180	In Compliance
Grade 1	180	N/A	180	In Compliance
Grade 2	180	N/A	180	In Compliance
Grade 3	180	N/A	180	In Compliance
Grade 4	180	N/A	180	In Compliance
Grade 5	180	N/A	180	In Compliance
Grade 6	180	N/A	180	In Compliance
Grade 7	180	N/A	180	In Compliance
Grade 8	180	N/A	180	In Compliance
Watsonville Charter School of the Arts				
Kindergarten	180	N/A	180	In Compliance
Grade 1	180	N/A	180	In Compliance
Grade 2	180	N/A	180	In Compliance
Grade 3	180	N/A	180	In Compliance
Grade 4	180	N/A	180	In Compliance
Grade 5	180	N/A	180	In Compliance
Grade 6	180	N/A	180	In Compliance
Grade 7	180	N/A	180	In Compliance
Grade 8	180	N/A	180	In Compliance

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

	(Budget) 2022 [1]	2021	2020	2019
General Fund				
Revenues	$ 264,160,379	$ 282,935,589	$ 251,895,752	$ 254,764,663
Other sources	1,250,000	188,555	1,897,467	102,684
Total revenues and other sources	265,410,379	283,124,144	253,793,219	254,867,347
Expenditures	261,875,343	262,259,780	261,745,061	267,258,140
Other uses and transfers out	164,388	98,982	424,132	509,157
Total expenditures and other uses	262,039,731	262,358,762	262,169,193	267,767,297
Increase/(Decrease) in Fund Balance	3,370,648	20,765,382	(8,375,974)	(12,899,950)
Ending Fund Balance	$ 42,819,462	$ 39,448,814	$ 18,683,432	$ 27,059,406
Available Reserves [2]	$ 28,088,386	$ 21,154,802	$ 14,311,642	$ 8,033,073
Available Reserves as a Percentage of Total Outgo	10.72%	8.06%	5.46%	3.00%
Long-Term Liabilities	$ 608,985,170	$ 617,000,745	$ 592,503,795	$ 536,560,953
K-12 Average Daily Attendance at P-2	16,634	16,641	16,641	17,072

The General Fund balance has increased by $12.4 million over the past two years. The fiscal year 2021-2022 budget projects an increase of $3.4 million. 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 District has incurred an operating surplus during the fiscal year 2020-2021 and anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term liabilities have increased by $80.4 million over the past two years.

Average daily attendance has decreased by 431 over the past two years. ADA is anticipated to decrease 7 during fiscal year 2021-2022.

[1] Budget 2022 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

Name of Charter School	Charter Number	Included in Audit Report
Diamond Technology Institute	0265	Yes
Alianza Charter School	0164	Yes
Linscott Charter School	0041	Yes
Pacific Coast Charter School	0170	Yes
Watsonville Charter School of the Arts	0373	Yes
Ceiba College Preparatory Academy	1004	No

	Alianza Charter School	Diamond Technology Institute	Linscott Charter School	Pacific Coast Charter School	Watsonville School of the Arts	Total
Fund balance, beginning	$ 109,164	$ 6,327	$ 202,561	$ 953,063	$ 804,483	$ 2,075,598
Revenues	8,018,740	1,107,292	2,612,346	2,107,615	4,297,381	18,143,374
Expenditures	(6,752,419)	(1,079,665)	(2,411,314)	(2,186,977)	(4,257,102)	(16,687,477)
Fund balance, ending	$ 1,375,485	$ 33,954	$ 403,593	$ 873,701	$ 844,762	$ 3,531,495

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets								
Deposits and investments	$ 4,638,768	$ 813,970	$ 915,257	$ 7,358,223	$ 32	$ 8,530,771	$ 7,949,374	$ 30,206,395
Receivables	2,567,069	930,530	2,762,479	2,518,484	-	-	-	8,778,562
Due from other funds	-	-	18,053	-	-	-	-	18,053
Stores inventories	-	-	-	174,357	-	-	-	174,357
Total assets	$ 7,205,837	$ 1,744,500	$ 3,695,789	$ 10,051,064	$ 32	$ 8,530,771	$ 7,949,374	$ 39,177,367
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ 203,437	$ 162,134	$ 1,204,084	$ 165,364	$ -	$ 16,927	$ -	$ 1,751,946
Due to other funds	2,766,077	167,524	-	506,123	-	-	-	3,439,724
Unearned revenue	704,828	63,465	1,304,474	-	-	-	-	2,072,767
Total liabilities	3,674,342	393,123	2,508,558	671,487	-	16,927	-	7,264,437
Fund Balances								
Nonspendable	-	-	-	174,357	-	-	-	174,357
Restricted	3,531,495	1,351,377	1,187,231	9,205,220	32	8,513,844	7,949,374	31,738,573
Total fund balances	3,531,495	1,351,377	1,187,231	9,379,577	32	8,513,844	7,949,374	31,912,930
Total liabilities and fund balances	$ 7,205,837	$ 1,744,500	$ 3,695,789	$ 10,051,064	$ 32	$ 8,530,771	$ 7,949,374	$ 39,177,367

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Local Control Funding Formula	$ 15,789,455	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,789,455
Federal sources	1,101,838	359,387	8,482,929	17,065,296	-	-	-	27,009,450
Other State sources	1,781,874	3,280,396	7,887,250	2,519,144	-	-	-	15,468,664
Other local sources	56,668	287,090	437,496	50,492	244	1,494,713	10,764,091	13,090,794
Total revenues	18,729,835	3,926,873	16,807,675	19,634,932	244	1,494,713	10,764,091	71,358,363
Expenditures								
Current								
Instruction	10,234,299	1,381,732	10,277,886	-	-	-	-	21,893,917
Instruction-related activities								
Supervision of instruction	222,690	1,612,596	2,844,861	-	-	-	-	4,680,147
Instructional library, media, and technology	622,047	71,438	38,624	-	-	-	-	732,109
School site administration	5,241,037	508	33,470	-	-	-	-	5,275,015
Pupil services								
Food services	-	-	-	12,685,579	-	-	-	12,685,579
All other pupil services	231,812	79,609	1,873,136	-	-	-	-	2,184,557
Administration								
All other administration	5,947	106,548	650,530	535,318	-	-	-	1,298,343
Plant services	444,775	111,284	532,895	50,306	31,940	662,053	-	1,833,253
Capital outlay	340,136	-	136,216	-	60,389	171,710	-	708,451
Debt service								
Principal	-	-	-	-	-	-	6,215,000	6,215,000
Interest and other	-	-	-	-	-	-	5,546,333	5,546,333
Total expenditures	17,342,743	3,363,715	16,387,618	13,271,203	92,329	833,763	11,761,333	63,052,704
Excess (Deficiency) of Revenues over Expenditures	1,387,092	563,158	420,057	6,363,729	(92,085)	660,950	(997,242)	8,305,659
Other Financing Sources (Uses)								
Transfers in	68,805	-	30,177	-	-	-	-	98,982
Net Change in Fund Balances	1,455,897	563,158	450,234	6,363,729	(92,085)	660,950	(997,242)	8,404,641
Fund Balance - Beginning	2,075,598	788,219	736,997	3,015,848	92,117	7,852,894	8,946,616	23,508,289
Fund Balance - Ending	$ 3,531,495	$ 1,351,377	$ 1,187,231	$ 9,379,577	$ 32	$ 8,513,844	$ 7,949,374	$ 31,912,930

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Pajaro Valley Unified School District (the District) under programs of the federal government for the year ended June 30,2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance) of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrued basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries, schools operated, members of the governing board, and members of the administration.

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Sections 43504.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the School District and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Charter School Statement of Changes in Fund Balances

The charter school schedule of changes in fund balances provides information about the changes in fund balance in each of the five charter schools operated by the District.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
Pajaro Valley Unified School District
Watsonville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pajaro Valley Unified School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2022.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether 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.

Eide Bailly LLP

Menlo Park, California
February 25, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Report on Compliance for Each Major Federal Program

We have audited Pajaro Valley Unified School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Eide Bailly LLP

Menlo Park, California
February 25, 2022

Independent Auditor's Report on State Compliance

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Report on State Compliance

We have audited Pajaro Valley Unified School District's (District) compliance with the types of compliance requirements as identified in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2021.

Management's Responsibility
Management is responsible for compliance with the State laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested:
In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Charter School Facility Grant Program	No, see below

Early Retirement Incentive
The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

Apprenticeship: Related and Supplemental Instruction
We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

District of Choice
We did not perform District of Choice procedures because the program is not offered by the District.

California Clean Energy Jobs Act
We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

Charter School Facility Grant Program
We did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

Basis for Qualified Opinion on School Accountability Report Card
As described in the accompanying schedule of findings and responses as item 2021-001, the District did not comply with requirements regarding the School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Pajaro Valley Unified School District to comply with the requirements referred to above.

Qualified Opinion on School Accountability Report Card
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs
In our opinion, Pajaro Valley Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2021, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
February 25, 2022

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs

Name of Federal Program or Cluster	Federal financial Assistance Lisitng/ Federal CFDA Number
Coronavirus Relief Fund (COVID)	21.019
Head Start	93.600

Dollar threshold used to distinguish between type A and type B programs	$1,918,624
Auditee qualified as low-risk auditee?	Yes

State Compliance

Unmodified for all programs except for the following program which was qualified:

Name of Program
School Accountability Report Card

None reported.

None reported.

2021-001 School Accountability Report Card
Code 40000, 72000

Criteria
EDC §17002 and EDC §33126(b)(8) requires that an assessment of school facilities be included in the annual School Accountability Report Card (SARC). School Districts use a "Facility Inspection Tool (FIT)" or equivalent, as the documented basis of the conditions reported in the facilities section of the SARC.

Condition
The District could not provide the FIT, or equivalent, for us to compare with the information about facilities published in the SARC.

Questioned Costs
There is no questioned cost associated with this condition.

Context
We selected a sample of six schools and the condition applies to four of those schools.

Effect
Information contained in the SARC regarding school facilities may be incomplete or inaccurate.

Cause and Recommendation
We recommend that the District appoint someone to be accountable for compliance in this area.

Identification as a Repeat Finding
This was not reported as a prior year finding.

Views of Responsible Officials/Corrective Action Plan
The District has included this area of gap in staff assignment and will address the corrective action required.

None reported.

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF WATSONVILLE AND SANTA CRUZ COUNTY

*The following information concerning the City of Watsonville (the "**City**") and Santa Cruz County (the "**County**") is included only for the purpose of supplying general information regarding the area of the District. This information is provided only for general informational purposes, and provides prospective investors limited information about the City, the County, and their economic base. The Refunding Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions (other than the District), and none of the City, the County, the State (other than the District) or any of its political subdivisions is liable therefor.*

The COVID-19 pandemic is ongoing, and the duration and severity of the health crisis, and the economic and other impacts of actions that may be taken by governmental authorities to contain the health crisis or to treat its impact, are developing and uncertain. The information set forth in this Appendix C predates the health crisis caused by the COVID-19 pandemic and should not be relied upon as representative of the current demographics within the District.

General Information

Santa Cruz County is located along the central coast of California, approximately 65 miles south of San Francisco. The County covers 439 square miles and two-thirds of the County is forest land owned by the United States Department of Agriculture. The County's boundaries are chiefly natural ones – the Santa Cruz Mountains to the east, the Pajaro River on the south, and to the west, Monterey Bay and the Pacific Ocean.

The County is an important vacation and recreation area. Within its borders are six state parks, including a number of beaches. The City of Santa Cruz, the largest city and county seat, features attractive beaches and a boardwalk. The mid-county section, which consists of the City of Capitola and the unincorporated areas of Soquel and Aptos, provides numerous attractions for both tourists and local residents, including four major shopping centers and two State beaches. The southern part of the county, Pajaro Valley, is a productive agricultural district. Industries such as food canning and freezing, which are closely tied to farming, are located in or near Watsonville, the major community in the region. The activities which are not directly based on agriculture or tourism, such as electronics-related manufacturing, computer services, and educational services, are scattered throughout the County.

Population

The following table lists population estimates for the City and County for the last five calendar years, as of January 1:

SANTA CRUZ COUNTY
Population Estimates
Calendar Years 2018 through 2022, as of January 1

Area	**2018**	**2019**	**2020**	**2021**	**2022**
Capitola	10,220	10,130	10,108	10,1112	9,794
Santa Cruz	65,115	65,241	64,424	57,594	64,075
Scotts Valley	11,779	11,646	11,693	12,407	12,049
Watsonville	**52,045**	**51,672**	**51,515**	**52,147**	**50,669**
Unincorporated	134,786	133,812	133,493	134,293	129,977
Total County	**273,945**	**272,501**	**271,233**	**266,553**	**266,564**

Source: State Department of Finance Estimates (as of January 1, 2022).

Largest Employers

The table below lists the largest employers in the County as of June 30, 2022.

Employer	Product/Service	Number of Employees 2021-2022 [(1)]	% of Total Employment 2021-2022 [(2)]
University of California at Sant Cruz	Education	1,000 - 4,999	2.00%
Pajaro Valley Unified School District	Education	1,000 - 4,999	2.00
County of Santa Cruz	County Services	1,000 - 4,999	2.00
Dominican Hospital	Hospital	1,000 - 4,999	2.00
Granite Rock	Excavating Contractors	500 – 999	0.20
Poly Inc (formerly Plantronics)	Telephone Apparatus Mfg.	500 - 999	0.20
Watsonville Community Hospital	Hospital	500 – 999	0.20
Source Naturals	Vitamin Manufacturer	500 – 999	0.20
Santa Cruz Health Center	Clinics	500 – 999	0.20
Monterey Mushrooms	Agriculture	500 – 999	0.20
Larse Farms Inc.	Agriculture	500 – 999	0.20
Ameri-Kleen	Services NEC	500 – 999	0.20

(1) Number of employees reflects a range provided by California Employment Development Department ("**EDD**") data.
(2) Average of the reported range divided by total civilian employment of 131,300 as reported by the EDD for June, 2022.
Source: County of Santa Cruz, California Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2022.

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Employment Industry

The City is included in the Santa Cruz-Watsonville Metropolitan Statistical Area ("**MSA**"), which consists of the County. The unemployment rate in Santa Cruz County was 4.5% in December, 2022, down from 4.9% in November, 2021, and below the year-ago estimate of 5.2%. This compares with an unadjusted unemployment rate of 4.1% for California and 3.5% 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 2016 through 2021.

SANTA CRUZ WATSONVILLE MSA
(Santa Cruz County)
Annual Average Civilian Labor Force, Employment and Unemployment
Unemployment by Industry
(March 2021 Benchmark)

	2016	2017	2018	2019	2020	2021
Civilian Labor Force [(1)]	143,800	142,600	141,300	141,400	134,600	133,400
Employment	133,700	134,400	134,200	134,300	121,400	124,200
Unemployment	10,000	8,200	7,100	7,000	13,200	9,200
Unemployment Rate	7.0%	5.7%	5.0%	5.0%	9.8%	6.9%
Wage and Salary Employment: [(2)]						
Agriculture	8,400	8,100	7,900	8,200	8,000	7,100
Mining and Logging	4,400	4,500	4,400	4,500	4,400	4,700
Manufacturing	6,600	6,600	6,900	7,100	6,800	7,400
Wholesale Trade	3,400	3,300	3,400	3,400	3,300	3,300
Retail Trade	12,400	12,300	11,800	11,700	10,800	11,200
Transportation, Warehousing and Utilities	1,500	1,600	1,600	1,700	1,700	2,000
Information	800	800	700	600	600	600
Financial Activities	3,600	3,600	3,600	3,400	3,200	3,200
Professional and Business Services	10,300	10,600	10,700	10,900	10,400	10,600
Educational and Health Services	17,300	17,900	17,800	18,000	17,100	17,200
Leisure and Hospitality	13,900	14,200	14,500	14,800	10,300	11,800
Other Services	4,600	5,000	5,300	5,300	4,400	4,500
Federal Government	500	500	500	500	600	500
State Government	8,400	8,600	8,500	9,000	8,400	8,300
Local Government	12,800	12,800	13,000	12,800	12,000	12,100
Total All Industries	108,900	110,300	110,400	111,900	101,900	104,300

(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.
Source: State of California Employment Development Department, March 2021 Benchmark.

Construction Trends

Provided below are the building permits and valuations for the City and the County for calendar years 2017 through 2021.

CITY OF WATSONVILLE
Total Building Permit Valuation
Calendar Years 2017 through 2021
(Valuation in Thousands of Dollars)

	2017	2018	2019	2020	2021
Permit Valuation					
New Single-family	$13,200.9	$2,111.6	$9,357.4	$732.4	$1,407.5
New Multi-family	5,415.2	1,018.4	0.0	0.0	0.0
Res. Alterations/Additions	1,132.6	921.7	1,551.5	1,225.4	211.9
Total Residential	$19,748.7	$4,061.7	$10,908.9	$1,957.8	$1,619.4
New Commercial	$2,553.3	$9,619.8	$0.0	$0.0	$0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	2,881.0	263.3	984.1	344.1	278.6
Com. Alterations/Additions	9,786.6	11,670.6	19,436.5	288.0	582.0
Total Nonresidential	$15,220.9	$21,553.7	$20,420.6	$632.1	$860.6
New Dwelling Units					
Single-family	61	9	54	7	8
Multiple Family	86	8	0	0	0
TOTAL	117	17	54	7	8

Source: Building Permit Summary, California Homebuilding Foundation/Construction Industry Research Board.

Provided below are the building permits and valuations for the County for calendar years 2017 through 2021.

COUNTY OF SANTA CRUZ
Total Building Permit Valuation
Calendar Years 2017 through 2021
(Valuation in Thousands of Dollars)

	2017	2018	2019	2020	2021
Permit Valuation					
New Single-family	$51,454.2	$51,621.8	$47,986.3	$26,997.0	$54,239.7
New Multi-family	25,673.8	25,238.5	27,676.1	813.7	823.8
Res. Alterations/Additions	34,955.0	34,010.2	31,453.2	23,111.0	21,728.8
Total Residential	$112,083.0	$110,870.5	$107,116.2	$50,921.7	$76,792.
New Commercial	$11,749.8	$16,257.0	$18,729.9	$3,867.4	$2,625.5
New Industrial	0.0	0.0	619.8	0.0	0.0
New Other	6,376.4	5,318.4	5,042.2	2,883.2	4,375.8
Com. Alterations/Additions	26,780.3	25,858.5	41,089.3	7,209.5	17,733.8
Total Nonresidential	$44,906.5	$47,433.9	$65,481.2	$13,960.1	$24,761.3
New Dwelling Units					
Single-family	210	170	215	151	230
Multiple Family	97	129	79	8	15
TOTAL	307	299	291	159	245

Source: Building Permit Summary, California Homebuilding Foundation/Construction Industry Research Board.

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Commercial Activity

Total taxable sales during calendar year 2021 in the City were reported to be $817,806, a 17.06% increase over the total taxable sales of $698,595 reported during calendar year 2020.

CITY OF WATSONVILLE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2017	799	$538,801	1,300	$689,546
2018	802	559,760	1,344	708,393
2019	823	554,950	1,417	709,469
2020	903	559,484	1,544	698,595
2021	812	663,846	1,402	817,806

Source: California Department of Tax and Fee Administration (CDTFA), Taxable Sales in California (Sales & Use Tax).

COUNTY OF SANTA CRUZ
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2017	6,224	$2,890,520	10,001	$3,812,090
2018	6,153	2,977,267	10,241	3,878,851
2019	6,159	2,988,342	10,542	3,976,623
2020	6,397	2,265,816	11,095	3,934,304
2021	5,566	3,432,145	9,801	4,569,598

Source: California Department of Tax and Fee Administration (CDTFA), Taxable Sales in California (Sales & Use Tax).

Santa Cruz County Agriculture

Information from the Santa Cruz Chamber of Commerce indicates that farming was Santa Cruz's first industry and remains a keystone of the County's economy. Agricultural hires one out of every eight local workers; the market value of its products has grown from approximately $580 million to more than $657 million in less than ten years notwithstanding a small net reduction in the acreage in production.

Nearly two-thirds of that total production (2021) was generated by berries, led by strawberries at $211 million. Nursey crops (cut flowers, greens, and nursey stock) account for another 17% of total value. Vegetables make up about 8% and the balance is generated by apples, wine grapes and other tree and vine fruit, livestock, and timber. Between 2017 and 2021 the value of organically grown products in the county grew by 1.1% to $110 million.

Santa Cruz County Measure J (1978) and subsequent County general plans provide strong protection of agricultural land uses in Santa Cruz County. Agriculture's greatest threats are water shortages, including groundwater overdraft and land use conflicts, especially with residential development. Agriculture also has a rich social and cultural history in Santa Cruz County with an engaging Agriculture Center and Museum located at the County Fair Grounds.

Information from the 2021 Crop Report indicates that agriculture is related to many other employment opportunities in Santa Cruz County that are not included in the direct or indirect agricultural employment figure because they are not paid by an agricultural firm or their suppliers. Santa Cruz is home to numerous public and private institutions that employ researchers and scientists to work on pest, soil and water management, disease resistance, and sustainable agriculture. There are also jobs created in agricultural education and communication, agricultural regulation, agricultural engineering, and food safety. Some of the institutions in our county include University of California-Santa Cruz, Cabrillo College, LifeLab, Farm Bureau, California Certified Organic Farmers (CCOF), to name just a few.

Santa Cruz County Transportation

Five major State highways connect Santa Cruz 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. 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 provides 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.

Santa Cruz County Environmental Control Services

Water Supply. Information from the County of Santa Cruz website (Environmental Health) indicates that Santa Cruz County waters provide drinking water for residents and visitors, critical habitat to numerous threatened and endangered species and opportunities for recreational and commercial activities. The overwhelming majority of Santa Cruz County's water supply is locally derived from surface and groundwater sources – a unique situation in a state supported by large federal and state water projects. However, like many other areas of California, Santa Cruz County faces water resource challenges including impaired water quality, inadequate water supply, overdrafted groundwater basins, depleted streams, and degraded riparian habitat. Balancing water supply with environmental needs and other uses is a challenge that requires a collaborative effort among all stakeholders.

Flood Control. Information from the City of Santa Cruz website (Public Works) indicates that the Flood Control Engineering unit provides engineering services for Santa Cruz County Flood Control and Water Conservation Districts Zone 7, Zone 7A, the Pajaro Storm Drain Maintenance District, and the Santa Cruz County Flood Control and Water Conservation District (general). These services include staffing for various Pajaro River and Flood Protection Area Committees, administration and coordination of the Army Corps of Engineers' Pajaro Flood Risk Reduction Project, and staffing for the County's participation in the Pajaro River Watershed Flood Prevention Authority of Santa Cruz, Monterey, Santa Clara, and San Benito Counties. This unit also prepares permit applications for drainage and flood control maintenance operations with various County, State, and Federal regulatory agencies and works with the County's legislative advocate in Washington D.C. to identify additional funding for the long-awaited levee reconstruction project.

The Monterey County area, including areas of the City of Pajaro, experienced flood damage from a series of storms in March 2023. Flood waters breached the Pajaro River levee resulting in evacuations on Saturday, March 11, 2023. Federal, State, and local authorities have made emergency declarations. Monterey County is included in a Presidential Major Disaster Declaration which makes residents impacted who have damage or losses from the storms eligible to apply for federal disaster assistance. The Presidential Major Disaster Declaration also includes public assistance to help State, tribal, and local governments with ongoing emergency response and recovery costs and hazard mitigation. The impacts on property and assessed values within the District's boundaries from these events are not currently known to the District. Property owners may complete a calamity damage reassessment form for up to 12 months after the event date. A $400 million rebuilding project funded by State and federal sources was scheduled to start construction in 2024 or 2025. In addition, California and the federal government, respectively, have extended the state and federal tax filing and payment due dates to October 16, 2023, for Californians impacted by the winter storms, which includes territory within the District's boundaries.

Sewage. Information from the City of Santa Cruz website (Public Works), indicates that the Sanitation Division of Santa Cruz Public Works is responsible for the collection of wastewater (sewage) for several sanitation districts and county service areas (CSAs) located within Santa Cruz County, providing water service (Davenport only), and Environmental Compliance.

Santa Cruz County Education

There are five elementary school districts, three unified (K-12) school districts, one city school district and one K-12 school district in Santa Cruz County.

There are three two-year community college campuses located in Santa Cruz County. There are also three universities in the County – the University of California, Santa Cruz, Bethany University, and John F. Kennedy University located in nearby Santa Clara County.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the Pajaro Valley Unified School District, proposes to render their final approving opinion with respect to the Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds in substantially the following form:

May 11, 2023

Governing Board of the
Pajaro Valley Unified School District
294 Green Valley Road
Watsonville, CA 95076

Re: $28,215,000 Pajaro Valley Unified School District
2023 General Obligation Refunding Bonds
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Pajaro Valley Unified School District ("District") in connection with the proceedings for the issuance and sale by the District of $28,215,000 principal amount of Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Governing Board of the District, adopted on March 8, 2023 (Resolution No. 22-23-37) ("Bond Resolution"), and in accordance with the statutory authority set forth in Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and related California law. The Bonds are being issued to refund certain outstanding general obligation bonds of the District and to pay certain costs of issuance of the Bonds.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the Counties of Santa Cruz and Monterey ("Counties"), and the purchaser of the Bonds, including certificates as to factual matters as we have deemed necessary to render this opinion.

Attention is called to the fact that we have not been requested to examine, and have not examined, any documents or information relating to the District, or the Counties, other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution, the Tax Certificate and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.

2. All taxable property in the territory of the District is subject to *ad valorem* property taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The Counties are each required by law to include in their respective annual tax levies the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. In addition, interest on the Bonds is exempt from personal income taxation imposed by the State of California ("State"). We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion(s) as to any matter other than as expressly set forth above. We specifically express no opinion with regard to "Blue Sky" laws in connection with the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

ATKINSON, ANDELSON, LOYA, RUUD & ROMO

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "**Disclosure Certificate**") is executed and delivered by the Pajaro Valley Unified School District (the "**District**") in connection with the execution and delivery of $28,215,000 2023 General Obligation Refunding Bonds (the "**Refunding Bonds**"). The Refunding Bonds are being executed and delivered pursuant to Resolution No. 22-23-37 (the "**Bond Resolution**"), adopted by the Governing Board of the District on March 8, 2023. The District covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate.</u> This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners (as defined herein) of the Refunding Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("**S.E.C.**") Rule 15c2-12(b)(5).

Section 2. <u>Definitions.</u> In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Annual Report Date" means the date not later than nine months (currently March 31) after the end of each fiscal year of the District (currently June 30).

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*District*" shall mean Pajaro Valley Unified School District.

"Dissemination Agent" shall mean Dale Scott & Company, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*EMMA System*" shall mean the Electronic Municipal Market Access system of the MSRB or such other electronic system designated by the MSRB (as defined below) or the S.E.C. for compliance with S.E.C. Rule 15c2-12(b).

"*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 a clause (i) debt obligation or of a clause (ii) a derivative instrument described above; provided, however, that the term "Financial Obligation" shall not include "municipal securities" (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a "final official statement" (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, and any successor entity designated und the Rule as the repository for filings made pursuant to the Rule.

"*Obligated Person*" means any person, including an issuer of municipal securities, who is either generally or thorough an enterprise, fund, or account of such person committed by contract or other arrangement (e.g., the District as to the Refunding Bonds) to support payment of all, or part of the obligations of the municipal securities to be sold (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities.

"Official Statement" means the final official statement executed by the District in connection with the delivery of the Refunding Bonds.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Refunding Bonds required to comply with the Rule in connection with offering of the Refunding Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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, 2024, with the report for the 2022-23 fiscal year, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information 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 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the 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(c). 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) to the MSRB through the EMMA System an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB through the EMMA System, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(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 filing requirements of 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, with a copy to the Paying Agent and the Participating Underwriter, 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 of the District 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 at the time required for filing the Annual Report, 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, the following information:

(i) Principal amount of the Refunding Bonds, any general obligation bonds issued by the District and any general obligation refunding bonds relating to the District outstanding as of June 30 preceding the date of the Annual Report to the extent not included in the audited financial statements and a statement as to the amount of general obligation bonds authorized and unissued by the School District;

(ii) Balance in the Debt Service Fund (as defined in the Bond Resolution) as of a date within 60 days preceding the date of the Annual Report and the balance of any other fund or account in connection with the Bonds not referenced in this clause (ii);

(iii) A statement as to whether or not the County includes the tax levy for payment of the Refunding Bonds in its Teeter Plan and if not, information regarding the amount of the annual *ad valorem* taxes levied in the District, amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;

(iv) Assessed valuation of taxable properties in the District for the current fiscal year;

(v) Assessed valuation of properties of the top twenty taxpayers for the current fiscal year;

(vi) Property tax collection delinquencies for the District for the most recently completed fiscal year, if available at the time of filing the Annual Report; and

(vii) The District's most recently adopted Budget or approved interim report with budgeted figures, which is available at the time of filing the Annual Report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) 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.

(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 have been submitted to the MSRB through the EMMA System or filed with the S.E.C. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed 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 Refunding 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 Obligated Person.

(13) The consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(16) Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders.

(b) In the event of the occurrence of a Listed Event, and, if the Listed Event is described in sections (a)(2), (a)(6)[1], (a)(7), (a)(8)[2] (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, 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. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Refunding Bonds under the governing legal documents.

(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), and (a)(14) of this Section 5 contain the qualifier "if material." 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 the District determines the event's occurrence is material for purposes of U.S. federal securities law.

(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.

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 earliest to occur of (i) legal defeasance, (ii) prior redemption of the Refunding Bonds, or (iii) payment in full of all of the Refunding Bonds. If such termination occurs prior to the final maturity of the Refunding Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. 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 Dale Scott & Company. 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:

[1] 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) are to be reported in all cases, without evaluation as to materiality, while other items referred to in clause (vi) relating to notices or determinations with respect to the tax status of the Refunding Bonds, or other material events affecting the tax status of the Refunding Bonds are to be reported if material.

[2] Tender notices are to be reported in all cases; bond calls are to be reported if material.

(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 Refunding 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 Refunding 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 owners of the Refunding Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Refunding 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 statements or 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 sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(c).

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 owner or beneficial owner of the Refunding 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 Bond 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. Duties, Immunities and Liabilities of Dissemination Agent.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and 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 owners of the Refunding Bonds 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 Refunding Bonds.

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.

Dated: May 11, 2023

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

By ____________________________________
Superintendent

AGREED AND ACCEPTED:

Dale Scott & Company,
as Dissemination Agent

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	PAJARO VALLEY UNIFIED SCHOOL DISTRICT
Name of Issue:	$28,215,000 Pajaro Valley Unified School District 2023 General Obligation Refunding Bonds
Date of Issuance:	May 11, 2023

Notice is hereby given that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 26 of Resolution No. 22-23-37, adopted by the Governing Board of the District on March 8, 2023, and the Continuing Disclosure Certificate, dated May 11, 2023, executed by the District and countersigned by Dale Scott & Company, as dissemination agent. The District anticipates that the Annual Report will be filed by ____________________.

Dated: ____________________

DALE SCOTT & COMPANY

By: ____________________________________

Title: ___________________________________

cc: Chief Business Officer, Pajaro Valley Unified School District

APPENDIX F

SANTA CRUZ COUNTY INVESTMENT POLICY

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COUNTY OF SANTA CRUZ

2023

INVESTMENT POLICY

Adopted by Board of Supervisors on December 6, 2022

Policy in effect for calendar year 2023

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

	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 [b]	270 DAYS	40%	*"A-1" If the issuer has issued long-term debt it must be rated "A" without regard to modifiers*
H	NEGOTIABLE CERTFICATES OF DEPOSIT	5 YEARS	30% [d]	NONE
I	CD PLACEMENT SERVICES	5 YEARS	30% [d]	NONE
J	REPURCHASE AGREEMENTS	1 YEAR	NONE	NONE
K	REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS	92 DAYS	20% OF THE BASE VALUE OF THE PORTFOLIO	NONE
L	MEDIUM-TERM NOTES [c, e]	5 YEARS	30%	"A" Rating
M	MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS	N/A	20% [f]	MULTIPLE [g]
N	COLLATERALIZED BANK DEPOSITS	5 YEARS	NONE	NONE
O	MORTGAGE PASS-THROUGH SECURITIES	5 YEARS	20%	"AA" RATING
P	BANK/TIME DEPOSITS	5 YEARS	NONE	NONE
Q	JOINT POWERS AUTHORITY POOL	N/A	NONE	MULTIPLE [h]

EXHIBIT A

R	LOCAL AGENCY INVESTMENT FUND (LAIF)	N/A	NONE	NONE
S	SUPRANATIONALS	5 YEARS	30%	"AA" RATING *i*

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE

EXHIBIT B

Temporary Constraints and Restrictions on 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 'R' below) shall not be included when calculating this percentage, nor shall investments in joint powers authority pools (see 'Q' 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 'S' below.

G. **Commercial Paper.** The Treasurer currently does not allow the percent of commercial paper to exceed 25% of the total portfolio. See section ‘S’ below for additional restrictions on particular commercial paper issues. The Treasurer is currently only purchasing commercial paper with maturities of 90 days or less.

H. **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. Please see sections ‘P’ and ‘S’ below for additional restrictions on non-negotiable Certificates of Deposit (CD) purchases.

I. **Certificate of Deposit (CD) Placement Services.** The Treasurer may invest or participate in CD Placement Services. See section ‘P’ below for restrictions on time deposits.

J. **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.

K. **Reverse Repurchase Agreements.** The County Investment Policy does not allow the Treasurer to enter into reverse repurchase agreements.

L. **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 ‘S’ below for additional potential restrictions on medium term notes. Medium term notes shall not exceed 30% of the portfolio.

M. **Mutual Funds.** The Treasurer currently imposes no additional restrictions on mutual fund purchases beyond those in the Codes.

EXHIBIT B

N. **Collateralized Bank Deposits.** The Treasurer currently imposes no additional restrictions on collateralized bank deposits beyond those in the Codes.

O. **Mortgage Pass-Through Securities.** The Treasurer does not invest in Mortgage pass-through securities nor in any collateralized mortgage investments.

P. **Bank/Time Deposits.** The Treasurer will enter into contracts for time deposits (including CDs) of amounts greater than $250,000 only with those banks that meet the requirements for investment in NCD. Time deposits of less than or equal to $250,000 (not including accrued interest) will require FDIC insurance. The total of all time deposits shall not exceed 10% of the total portfolio. Mandated deposits or investments specifically invested by pool participant's request are not included in this percentage restriction. See section 'S' below for additional potential restrictions.

Q. **Joint Powers Authority (JPA) Pool.** Investments in JPA investment funds shall not exceed 25% of the pool's portfolio.

R. **Local Agency Investment Fund (LAIF).** The Treasurer does invest in LAIF up to the current limit determined by the State Treasurer.

S. **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.

T. **Lending Securities.** The County Investment Policy does not allow the County Treasurer to lend securities.

U. **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.

V. **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.

X. **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.

Y. **Asset Backed Securities** 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.

Z. **Supranationals.** 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.

APPENDIX G

QUARTERLY INVESTMENT REPORT

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Santa Cruz County Treasurer's

Quarterly Investment Report

For the Quarter Ended
March 31, 2023

Edith Driscoll
Auditor – Controller – Treasurer - Tax Collector

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MEMBERS AND AUDIT PROCESS

Treasury Oversight Commission - Commissioner List			
Representation Category:	***Name:***	***Vot/Alt/Advisory:***	***Title:***
Board of Supervisors	Supervisor Manu Koenig	Voting Member	*Board of Supervisor - 1st District*
	Supervisor Felipe Hernandez	Voting Member	*Board of Supervisor - 4th District*
Superintendent of Schools*	Dr. Faris Sabbah	Voting Member	*County Superintendent of Schools*
	Ms. Liann Reyes	Alternate	*Deputy Superintendent - Business Services*
Special Districts	Mr. Chuck Farmer**	Voting Member	*Chief Financial Officer, Santa Cruz METRO*
	Chief Ron Whittle	Alternate	*Fire Chief, City of Scotts Valley*
County School Districts	Mr. Chris Shiermeyer	Voting Member	*Superintendent, San Lorenzo VUSD*
	Mr. Jim Monreal	Alternate	*Asst. Superintendent - Business Services*
Public Members	Dr. Gail Mahood	Voting Member	*Public Member*
	Mr. David Culver	Alternate	*Public Member*
Advisory Staff	Ms. Edith Driscoll	Advisory	*Auditor - Controller - Treasurer - Tax Collector*
	Mr. Brandon Marquez	Advisory	*County Investment Officer*
	Ms. Laura Bowers	Advisory	*Deputy Auditor - Controller*
	Mr. Carlos Palacios	Advisory	*County Administrative Officer*
	Mr. Marcus Pimentel	Advisory	*County Budget Manager*

*** 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

April 4, 2023

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 March 31, 2023 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 2023 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 March 31, 2023.

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,

DocuSigned by:
Edith Driscoll
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EDITH DRISCOLL
Auditor-Controller-Treasurer-Tax Collector

4/4/2023

SUMMARY REPORTS

1. County of Santa Cruz Portfolio Summary including:
    a) Issuer
    b) Type of Asset
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    d) Current Book Value
    e) Yield
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    b) Net Yield Trend / Comparison to LAIF

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5. County of Santa Cruz Investment Pool Credit Quality Distribution

6. County of Santa Cruz Investment Pool Source of Funds

Santa Cruz County Treasurer's Portfolio
As of March 31, 2023

ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
U.S. Treasuries										
U.S.Trust	19,982,572.22	9,998,203.13	0.24%	10,000,000.00	9,927,100.00	0.77%	100%	10/08/21	05/31/23	Aaa/AA+/AAA
U.S.Trust	24,868,389.42	24,985,049.25	0.49%	25,000,000.00	24,817,750.00	1.93%	100%	12/14/21	05/31/23	Aaa/AA+/AAA
US Treasury N/B	24,901,538.89	24,986,451.54	0.52%	25,000,000.00	24,779,500.00	1.93%	100%	12/16/21	06/15/23	Aaa/AA+/AAA
US Treasury N/B	14,659,870.83	14,859,062.50	4.74%	15,000,000.00	14,858,850.00	1.15%	100%	12/16/22	06/15/23	Aaa/AA+/AAA
U.S.Trust	8,810,595.22	8,962,767.71	1.83%	9,000,000.00	8,901,900.00	0.69%	100%	03/23/22	06/30/23	Aaa/AA+/AAA
US Treasury N/B	19,622,533.33	19,756,800.00	4.78%	20,000,000.00	19,757,600.00	1.53%	100%	02/07/23	07/06/23	Aaa/AA+/AAA
US Treasury N/B	17,972,484.90	17,995,778.68	0.21%	18,000,000.00	17,763,120.00	1.39%	100%	04/14/21	07/15/23	Aaa/AA+/AAA
US Treasury N/B	29,835,733.70	29,966,813.98	0.51%	30,000,000.00	29,605,200.00	2.32%	100%	12/21/21	07/15/23	Aaa/AA+/AAA
U.S.Trust	29,781,114.13	29,950,935.34	0.62%	30,000,000.00	29,546,400.00	2.32%	100%	12/30/21	07/31/23	Aaa/AA+/AAA
U.S.Trust	11,981,418.34	11,996,859.97	0.20%	12,000,000.00	11,794,680.00	0.93%	100%	03/25/21	08/15/23	Aaa/AA+/AAA
U.S.Trust	9,710,976.35	9,916,915.62	2.40%	10,000,000.00	9,828,900.00	0.77%	100%	04/25/22	08/15/23	Aaa/AA+/AAA
U.S.Trust	4,961,808.32	4,990,231.24	0.60%	5,000,000.00	4,906,650.00	0.39%	100%	12/16/21	08/31/23	Aaa/AA+/AAA
U.S.Trust	14,997,342.24	14,998,256.31	0.15%	15,000,000.00	14,695,350.00	1.16%	100%	02/03/21	09/15/23	Aaa/AA+/AAA
U.S.Trust	21,896,936.73	21,968,924.49	0.30%	22,000,000.00	21,223,180.00	1.70%	100%	04/05/21	01/15/24	Aaa/AA+/AAA
US Treasury N/B	18,147,371.59	17,318,466.03	0.25%	17,000,000.00	16,689,240.00	1.34%	100%	03/03/21	01/31/24	Aaa/AA+/AAA
U.S.Trust	19,946,231.87	19,984,217.75	0.22%	20,000,000.00	19,220,400.00	1.55%	100%	02/17/21	02/15/24	Aaa/AA+/AAA
US Treasury N/B	19,548,834.60	19,613,761.03	4.83%	20,000,000.00	19,675,422.10	1.42%	100%	02/07/23	05/15/24	Aaa/AA+/AAA
U.S.Trust	14,968,282.95	14,987,889.19	0.32%	15,000,000.00	14,303,850.00	1.16%	100%	05/20/21	05/15/24	Aaa/AA+/AAA
Total US Treasuries	**326,594,035.63**	**317,237,383.76**	**1.24%**	**318,000,000.00**	**312,295,092.10**	**24.57%**	**100%**			
U.S. Government Agencies										
Federal Farm Credit Bank	19,982,572.22	19,998,505.37	0.23%	20,000,000.00	19,891,200.00	1.55%	100%	10/08/21	05/15/23	Aaa/AA+/AAA
Federal National Mort. Assoc.	9,960,405.56	9,990,748.00	0.59%	10,000,000.00	9,884,600.00	0.77%	100%	12/30/21	07/10/23	Aaa/AA+/AAA
Federal Farm Credit Bank	15,000,000.00	15,000,000.00	0.45%	15,000,000.00	14,790,900.00	1.16%	100%	11/24/21	07/24/23	Aaa/AA+/AAA
Federal Home Loan Bank	25,201,458.33	25,005,248.53	2.17%	25,000,000.00	24,742,750.00	1.94%	100%	03/29/22	08/30/23	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	19,928,947.22	19,987,048.37	0.25%	20,000,000.00	19,987,048.37	1.55%	100%	10/21/20	10/16/23	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	18,000,000.00	18,000,000.00	0.32%	18,000,000.00	17,518,860.00	1.39%	100%	11/02/20	11/02/23	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	9,995,500.00	9,999,105.00	0.27%	10,000,000.00	9,729,000.00	0.77%	100%	11/05/20	11/06/23	Aaa/AA+/AAA
Federal Farm Credit Bank	14,992,500.00	14,997,375.00	0.69%	15,000,000.00	14,564,850.00	1.16%	100%	12/13/21	12/13/23	Aaa/AA+/AAA
Federal Farm Credit Bank	18,015,290.00	18,003,695.91	0.20%	18,000,000.00	17,358,300.00	1.39%	100%	02/03/21	01/19/24	Aaa/AA+/AAA
Federal Home Loan Bank	15,000,000.00	15,000,000.00	3.40%	15,000,000.00	14,857,800.00	1.16%	100%	07/29/22	01/26/24	Aaa/AA+/AAA
Federal Home Loan Bank	20,000,000.00	20,000,000.00	0.80%	20,000,000.00	19,130,800.00	1.55%	100%	11/30/21	05/24/24	Aaa/AA+/AAA
Federal Home Loan Bank	10,000,000.00	10,000,000.00	2.72%	10,000,000.00	9,773,800.00	0.77%	100%	04/28/22	05/28/24	Aaa/AA+/AAA
Federal Home Loan Bank	29,723,664.67	29,330,753.76	2.70%	29,270,000.00	28,717,089.70	2.27%	100%	05/13/22	06/14/24	Aaa/AA+/AAA
Federal Home Loan Bank	25,000,000.00	25,000,000.00	1.05%	25,000,000.00	23,868,500.00	1.94%	100%	01/25/22	07/25/24	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	20,000,000.00	20,000,000.00	3.65%	20,000,000.00	19,717,200.00	1.55%	100%	07/29/22	07/26/24	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	25,000,000.00	25,000,000.00	2.63%	25,000,000.00	24,353,250.00	1.94%	100%	04/29/22	07/29/24	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	20,000,000.00	20,000,000.00	3.05%	20,000,000.00	19,570,000.00	1.55%	100%	05/26/22	08/26/24	Aaa/AA+/AAA
Federal Farm Credit Bank	20,043,100.00	20,018,309.80	0.32%	20,000,000.00	18,639,800.00	1.55%	100%	01/27/21	01/15/25	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	20,000,000.00	20,000,000.00	4.05%	20,000,000.00	19,728,400.00	1.55%	100%	08/15/22	08/15/25	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	14,965,593.75	14,974,976.04	0.44%	15,000,000.00	13,704,150.00	1.16%	100%	12/22/20	09/23/25	Aaa/AA+/AAA
Federal Home Loan Bank	15,000,000.00	15,000,000.00	1.15%	15,000,000.00	13,563,900.00	1.16%	100%	10/28/21	10/28/26	Aaa/AA+/AAA
Total Government Agencies	**385,809,031.75**	**385,305,765.78**	**1.58%**	**385,270,000.00**	**374,092,198.07**	**29.84%**	**100%**			
Supranationals										
International Fin Corp	16,309,531.25	15,121,525.20	0.41%	15,000,000.00	14,901,600.00	1.17%	30%	06/09/20	07/31/23	Aaa/AAA/NA
Int Bank of Recon & Developmen	17,980,425.00	17,995,496.64	0.29%	18,000,000.00	17,489,520.00	1.39%	30%	12/03/20	11/24/23	Aaa/AAA/NA
Inter-American Devel Bank	15,101,100.00	14,325,181.82	0.37%	14,000,000.00	13,777,960.00	1.11%	30%	03/15/21	02/21/24	Aaa/AAA/AAA
Int Bank of Recon & Developmen	15,021,614.58	15,000,000.00	0.63%	15,000,000.00	13,979,700.00	1.16%	30%	07/15/21	04/22/25	Aaa/AAA/NA
Int Bank of Recon & Developmen	17,942,900.00	17,953,595.15	0.60%	18,000,000.00	16,494,480.00	1.39%	30%	02/18/21	10/28/25	Aaa/AAA/NA
Total Supranationals	**82,355,570.83**	**80,395,798.81**	**0.46%**	**80,000,000.00**	**76,643,260.00**	**6.23%**	**30%**			

Santa Cruz County Treasurer's Portfolio
As of March 31, 2023

ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
Medium Term Notes										
Apple Inc	4,057,306.67	4,001,346.32	2.02%	4,000,000.00	3,992,640.00	0.31%	30%	04/07/22	05/03/23	Aaa/AA+/AA+
Apple Inc	8,123,551.50	8,140,477.85	3.04%	8,145,000.00	8,130,013.20	0.63%	30%	06/16/22	05/03/23	Aaa/AA+/AA+
Bank of America	3,372,682.95	3,305,053.44	2.99%	3,276,000.00	3,249,857.52	0.26%	30%	04/22/22	01/22/24	A2/A-/AA-
Bank of America	10,000,000.00	10,000,000.00	3.10%	10,000,000.00	9,667,600.00	0.77%	30%	04/29/22	04/29/24	A2/A-/AA-
Bank of America	20,000,000.00	20,000,000.00	1.00%	20,000,000.00	18,915,600.00	1.55%	30%	12/03/21	06/03/24	A2/A-/AA-
Caterpillar Financial Services	3,076,495.00	3,023,261.11	2.62%	3,000,000.00	2,950,140.00	0.23%	30%	04/14/22	06/09/24	A2/A/A
Microsoft Corp	17,665,053.60	17,576,700.07	2.60%	17,544,000.00	17,089,961.28	1.36%	30%	04/06/22	02/12/25	Aaa/AAA/AAA
Bank of America	10,000,000.00	10,000,000.00	2.35%	10,000,000.00	9,463,300.00	0.77%	30%	03/10/22	03/10/25	A2/A-/AA-
Merck & Co Inc	4,970,725.00	4,978,746.42	0.90%	5,000,000.00	4,578,000.00	0.39%	30%	09/24/21	02/24/26	A1/A+/A+
Total Medium Term Notes	**81,265,814.72**	**81,025,585.21**	**2.16%**	**80,965,000.00**	**78,037,112.00**	**6.27%**	**30%**			
Negotiable CDs										
Swedbank NY	30,000,000.00	30,001,393.84	5.14%	30,000,000.00	29,994,000.00	2.32%	30%	12/07/22	06/26/23	P1/A1+/F1
Nordea Bank	30,000,000.00	30,000,000.00	4.75%	30,000,000.00	29,981,700.00	2.32%	30%	02/06/23	06/07/23	P1/A1+/F1
Swedbank NY	25,000,000.00	25,000,000.00	5.37%	25,000,000.00	25,000,000.00	1.94%	30%	03/31/23	09/29/23	P1/A1+/F1
Rabobank NY	25,000,000.00	25,000,000.00	5.45%	25,000,000.00	25,000,000.00	1.94%	30%	03/14/23	11/13/23	P1/A1+/F1
Toronto Dominion Bank	25,000,000.00	25,000,000.00	5.33%	25,000,000.00	25,000,000.00	1.94%	30%	03/31/23	12/29/23	P1/A1+/F1
Total Negotiable CDs	**135,000,000.00**	**135,001,393.84**	**5.19%**	**135,000,000.00**	**134,975,700.00**	**10.45%**	**30%**			
Municipal Bonds										
University of Calif	3,113,115.83	3,002,682.61	1.76%	3,000,000.00	2,991,180.00	0.23%	100%	11/05/19	05/15/23	Aa3/AA-/AA-
Calif Health Fac Fin & Auth	6,500,000.00	6,500,000.00	0.55%	6,500,000.00	6,454,825.00	0.50%	100%	11/04/20	06/01/23	Aa3/AA-/AA-
Cabrillo Comm College GO	3,035,000.00	3,035,000.00	1.96%	3,035,000.00	3,006,865.55	0.24%	100%	10/08/19	08/01/23	Aa2/AA/NA
COUNTY OF SANTA CLARA	2,469,263.40	2,449,323.54	1.39%	2,430,000.00	2,350,611.90	0.19%	100%	03/03/22	08/01/24	NA/AAA/AA+
University of Calif	9,430,824.50	9,004,984.12	0.92%	8,600,000.00	8,384,226.00	0.70%	100%	04/01/21	07/01/25	Aa2/AA/AA
Cabrillo Comm College GO	1,172,879.19	1,180,081.18	3.50%	1,215,000.00	1,149,778.80	0.09%	100%	08/25/22	08/01/25	Aa2/AA/NA
Suc Agc City & County San Fran	4,299,555.00	4,281,873.05	1.23%	4,250,000.00	3,927,467.50	0.33%	100%	12/15/21	08/01/25	NA/AA/NA
HAWAII ST	10,004,713.06	10,000,000.00	0.89%	10,000,000.00	8,960,200.00	0.77%	100%	08/20/21	08/01/26	Aa2/AA+/AA
Los Angeles Community College	5,000,507.78	4,988,360.85	1.25%	5,000,000.00	4,513,100.00	0.39%	100%	11/15/21	08/01/26	Aaa/AA+/NA
State of California	15,109,085.00	15,131,187.45	4.15%	15,200,000.00	15,067,741.00	1.17%	100%	01/20/23	04/01/25	Aa2/AA-/AA
Total Municipal Bonds	**60,134,943.76**	**59,573,492.80**	**1.91%**	**59,230,000.00**	**56,805,995.75**	**4.61%**	**100%**			
Checking										
US Bank Checking	16,223,949.34	16,223,949.34	0.01%	16,223,949.34	16,223,949.34	1.26%	10%	NA	NA	NR
Total Checking	**16,223,949.34**	**16,223,949.34**	**0.01%**	**16,223,949.34**	**16,223,949.34**	**1.26%**	**10%**			
Money Market Funds (3)										
US Bank MMF	-	-	0.01%	-	-	0.00%	20%	NA	NA	NR
Bank of the West / BMO	30,203,878.04	30,203,878.04	3.50%	30,203,878.04	30,203,878.04	2.34%	20%	NA	NA	NR
CAMP	186,375,004.24	186,375,004.24	4.73%	186,375,004.24	186,375,004.24	14.43%	25%	NA	NA	AAAm
Total Money Market Funds	**216,578,882.28**	**216,578,882.28**	**4.56%**	**216,578,882.28**	**216,578,882.28**	**16.77%**				
Miscellaneous Investments										
LAIF (3)	52,474.33	52,474.33	2.81%	52,474.33	52,474.33	0.00%	10%	NA	NA	NR
Total Misc. Investments	**52,474.33**	**52,474.33**	**2.81%**	**52,474.33**	**52,474.33**	**0.00%**	**10%**			
GRAND TOTAL	**1,304,014,702.64**	**1,291,394,726.15**	**2.34%**	**1,291,320,305.95**	**1,265,704,663.87**	**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.

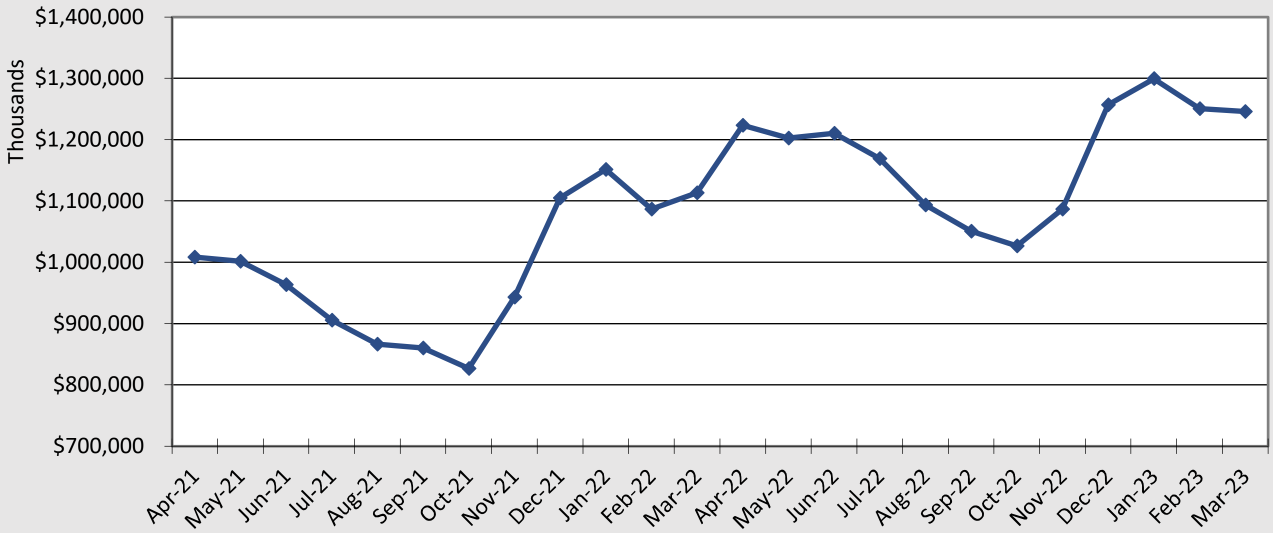
County of Santa Cruz Investment Pool

Portfolio Size and Composition

March 31, 2023

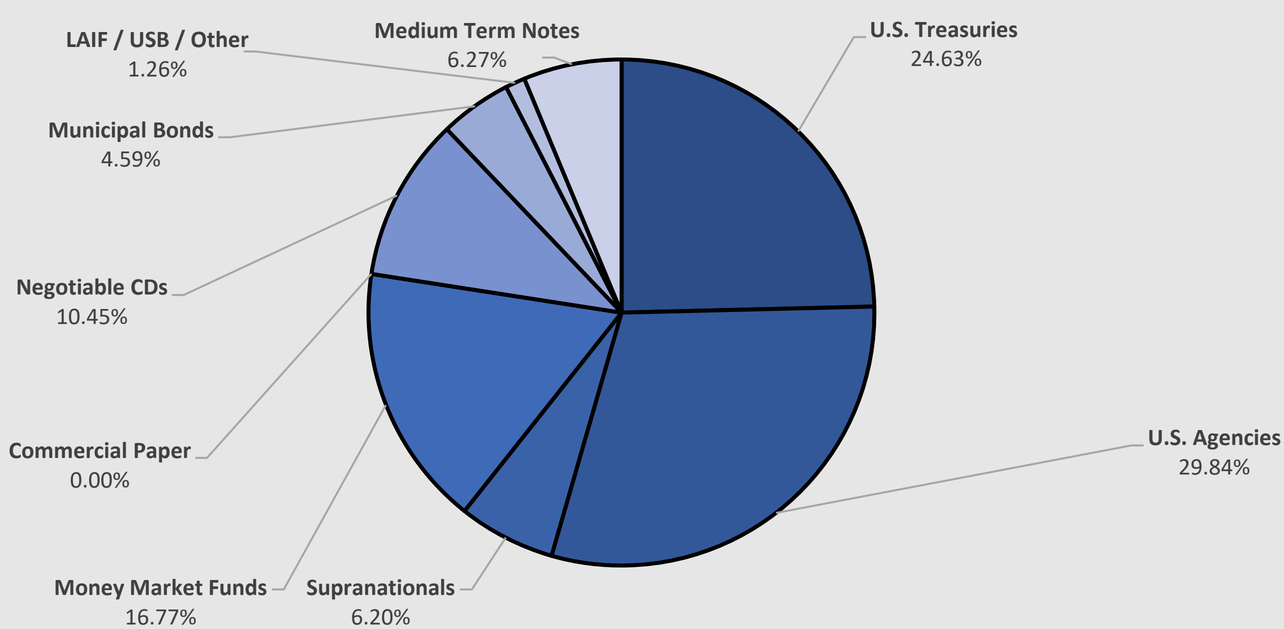
Monthly Portfolio Balance Trend

Historic review of monthly balance trends from April 2021 to March 2023. Two years ago, portfolio balances were approximately $1 billion compared to our reported amount of $1.2 billion.



Portfolio Composition

Investment breakdown of the County Investment Pool as of March 2023. U.S Treasury and U.S Agency bonds are approximately 54.5% 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

March 31, 2023

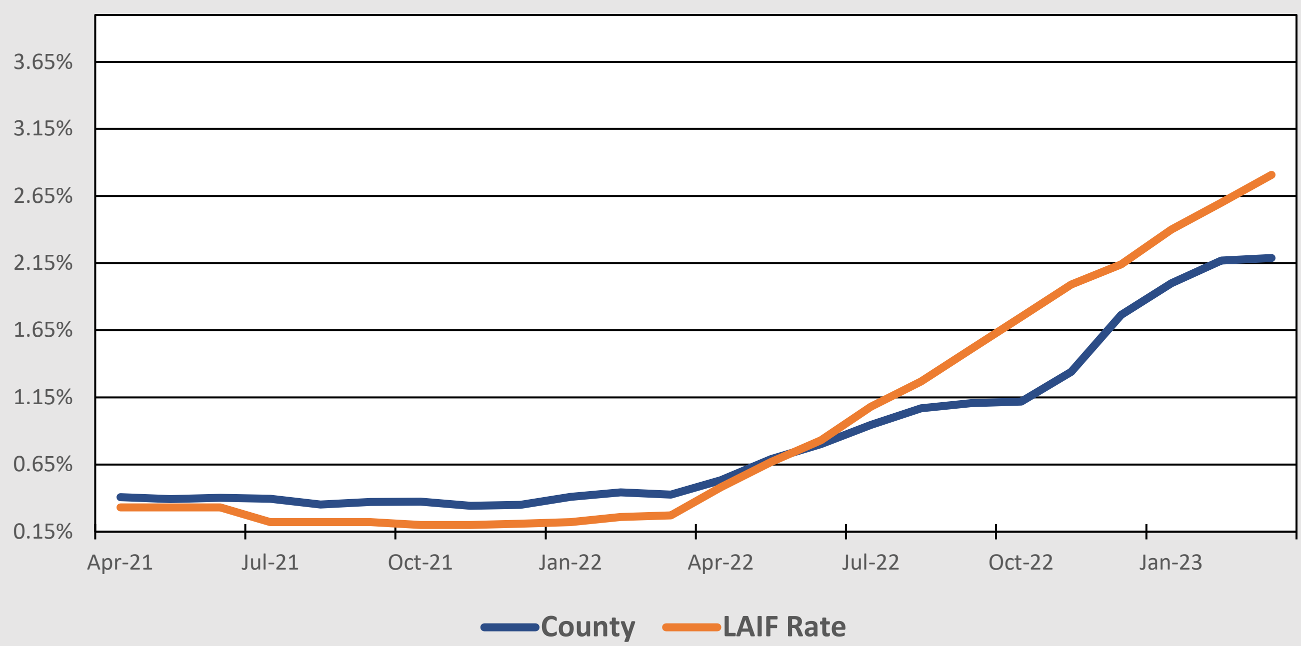
Apportionment Rate History

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 March 2023, the current quarterly average of the County Investment Pool is a 2.12% yield, versus a 2.6% yield from LAIF.

Date	*County*	*LAIF*	*Difference*
Mar-22	0.43%	0.27%	0.16%
Apr-22	0.53%	0.48%	0.05%
May-22	0.69%	0.67%	0.02%
Jun-22	0.80%	0.83%	-0.03%
Jul-22	0.95%	1.08%	-0.14%
Aug-22	1.07%	1.27%	-0.20%
Sep-22	1.11%	1.51%	-0.40%
Oct-22	1.12%	1.75%	-0.63%
Nov-22	1.34%	1.99%	-0.65%
Dec-22	1.76%	2.14%	-0.38%
Jan-23	2.00%	2.40%	-0.40%
Feb-23	2.17%	2.60%	-0.43%
Mar-23	2.19%	2.81%	-0.62%

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

March 31, 2023

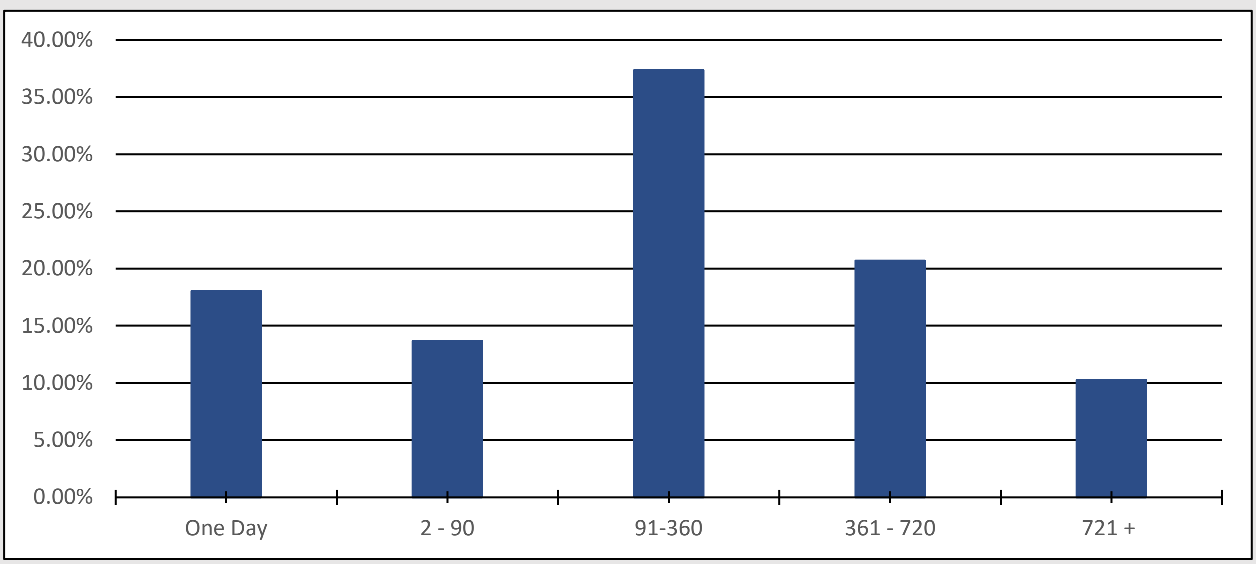
Maturity Classification and Liquidity Review

Investment breakdown based on maturity, as of March 2023. 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 March 31, 2023, the portfolio's average investment takes approximately 0.77 years, or 280 days to mature.

Category:	*Current Reported Values:*	*Historic Values:* Last Quarter | Last Year | Last 2 yrs.		
	March 31, 2023	***12/31/22***	***3/31/22***	***3/31/21***
One Day	18.03%	24.23%	4.88%	10.67%
2 - 90	13.68%	8.06%	8.28%	9.15%
91-360	37.35%	32.01%	28.69%	40.70%
361 - 720	20.70%	23.29%	39.71%	11.20%
721 +	10.24%	12.41%	18.44%	28.27%
WAM	280	316	454	433
Duration	0.77	0.88	1.26	1.19

Portfolio Maturity Distribution

Current allocation of maturities as of March 2023. Most fixed-income investments mature within the age range of 91 - 360 days. The County Investment Pool is currently very liquid, holding around 31% of Cash, and Cash-Equivalent securities (bonds and other investments maturing within 90 days).



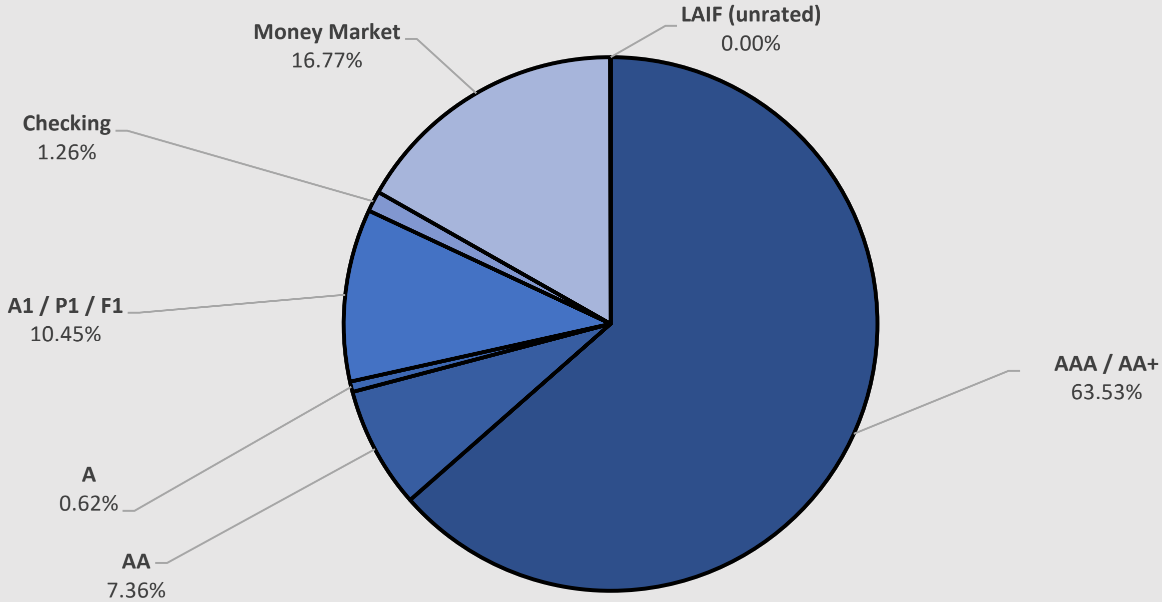
County of Santa Cruz Investment Pool

Credit Quality Distribution

March 31, 2023

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 2022, 74% 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: March 31, 2023* $ (mm)	*%*	*Historic Values: Last Quarter | Last Year | Last 2 yrs.* 12/31/22	3/31/22	3/31/21
AAA / AA+	$ 820	64%	65%	70%	69%
AA	$ 95	7%	6%	5%	4%
A	$ 8	1%	1%	3%	0%
A1 / P1 / F1	$ 135	10%	4%	13%	15%
Checking	$ 16	1%	2%	1%	1%
Money Market	$ 217	17%	22%	6%	3%
LAIF (unrated)	$ 0	0%	0%	2%	8%

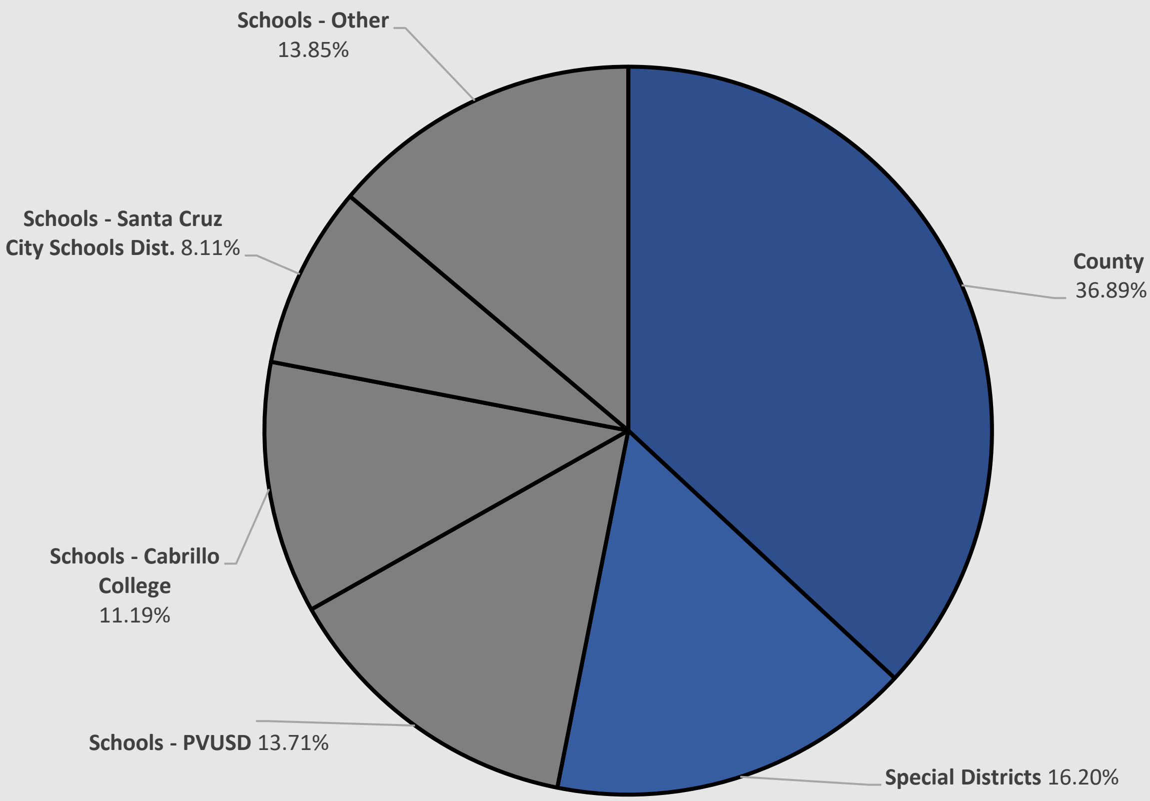
County of Santa Cruz Investment Pool

Source of Funds

March 31, 2023

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 are the Schools category. This category holds 47% of the County Investment Pool. The second largest participant is the County category, which consists of around 37% of the County Investment Pool.

Participant Category	*Current Reported Values:*	*Historic Values:* *Last Quarter | Last Year | Last 2 yrs.*		
	March 31, 2023	*12/31/22*	*3/31/22*	*3/31/21*
County	36.89%	31.97%	39.58%	39.56%
Special Districts	16.20%	18.00%	17.72%	20.69%
Schools	46.83%	49.83%	42.65%	39.73%
Cities	0.05%	0.20%	0.06%	0.03%

DETAILED LIST OF INVESTMENTS OUTSTANDING

As of March 31, 2023

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.

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Portfolio Summary
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Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
U.S. Treasury Notes/ Bonds	283,000,000.00	276,003,192.10	282,621,521.26	22.16	732	184	0.794	0.806
Federal Agency Issues - Coupon	385,270,000.00	370,615,942.37	385,305,765.78	30.22	927	426	1.560	1.581
Medium Term Notes	80,965,000.00	77,299,034.96	81,025,585.21	6.35	883	488	2.132	2.162
Negotiable CDs	135,000,000.00	134,992,200.00	135,001,393.84	10.59	201	160	5.123	5.194
Municipal Bonds	59,230,000.00	56,118,806.15	59,573,492.80	4.67	1,277	730	1.886	1.913
Local Agency Investment Fund (LAIF)	52,474.33	52,474.33	52,474.33	0.00	1	1	2.564	2.600
Treasury Discounts -Amortizing	35,000,000.00	34,458,350.00	34,615,862.50	2.71	163	87	4.698	4.763
Supranationals	80,000,000.00	75,812,640.00	80,395,798.81	6.30	1,289	484	0.452	0.458
Money Market Mutual Funds 02	216,578,882.28	216,578,882.28	216,578,882.28	16.98	1	1	4.496	4.558
Investments	**1,275,096,356.61**	**1,241,931,522.19**	**1,275,170,776.81**	**100.00%**	**665**	**285**	**2.333**	**2.366**

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	2,384,596.05	14,240,821.05
Average Daily Balance	**1,244,248,926.56**	**1,163,416,327.31**
Effective Rate of Return	**2.26%**	**1.63%**

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Santa Cruz County Treasurer,

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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												
9128285Z9	22406	US Treasury N/B		03/03/2021	17,000,000.00	16,601,520.00	17,318,466.03	2.500	0.245	0.248	305	01/31/2024
912828ZY9	22413	US Treasury N/B		04/14/2021	18,000,000.00	17,670,960.00	17,995,778.68	0.125	0.204	0.207	105	07/15/2023
912828ZU7	22449	US Treasury N/B		12/16/2021	25,000,000.00	24,663,000.00	24,986,451.54	0.250	0.508	0.515	75	06/15/2023
912828ZY9	22451	US Treasury N/B		12/21/2021	30,000,000.00	29,451,600.00	29,966,813.98	0.125	0.504	0.511	105	07/15/2023
912828WJ5	22483	US Treasury N/B		02/07/2023	20,000,000.00	19,501,222.10	19,613,761.03	2.500	4.763	4.830	410	05/15/2024
91282CAK7	22402	U.S.Trust		02/03/2021	15,000,000.00	14,611,500.00	14,998,256.31	0.125	0.148	0.150	167	09/15/2023
91282CBM2	22403	U.S.Trust		02/17/2021	20,000,000.00	19,061,000.00	19,984,217.75	0.125	0.212	0.215	320	02/15/2024
91282CAF8	22408	U.S.Trust		03/25/2021	12,000,000.00	11,732,400.00	11,996,859.97	0.125	0.193	0.195	136	08/15/2023
91282CBE0	22411	U.S.Trust		04/05/2021	22,000,000.00	21,065,880.00	21,968,924.49	0.125	0.300	0.304	289	01/15/2024
91282CCC3	22416	U.S.Trust		05/20/2021	15,000,000.00	14,148,000.00	14,987,889.19	0.250	0.318	0.322	410	05/15/2024
91282CCD1	22430	U.S.Trust		10/08/2021	10,000,000.00	9,881,700.00	9,998,203.13	0.125	0.231	0.235	60	05/31/2023
91282CCD1	22446	U.S.Trust		12/14/2021	25,000,000.00	24,704,250.00	24,985,049.25	0.125	0.484	0.490	60	05/31/2023
91282CCU3	22450	U.S.Trust		12/16/2021	5,000,000.00	4,879,500.00	4,990,231.24	0.125	0.590	0.598	152	08/31/2023
91282CCN9	22453	U.S.Trust		12/30/2021	30,000,000.00	29,396,400.00	29,950,935.34	0.125	0.612	0.620	121	07/31/2023
91282CCK5	22460	U.S.Trust		03/23/2022	9,000,000.00	8,857,260.00	8,962,767.71	0.125	1.802	1.827	90	06/30/2023
91282CAF8	22468	U.S.Trust		04/25/2022	10,000,000.00	9,777,000.00	9,916,915.62	0.125	2.366	2.399	136	08/15/2023
		Subtotal and Average	**282,580,853.36**		**283,000,000.00**	**276,003,192.10**	**282,621,521.26**		**0.794**	**0.806**	**184**	
Federal Agency Issues - Coupon												
3133EMNF5	22399	Federal Farm Credit Bank		01/27/2021	20,000,000.00	18,356,400.00	20,018,309.80	0.375	0.319	0.323	655	01/15/2025
3133EMNG3	22401	Federal Farm Credit Bank		02/03/2021	18,000,000.00	17,206,920.00	18,003,695.91	0.230	0.201	0.204	293	01/19/2024
3133EM4Q2	22428	Federal Farm Credit Bank		10/08/2021	20,000,000.00	19,802,600.00	19,998,505.37	0.170	0.228	0.231	44	05/15/2023
3133ENEY2	22441	Federal Farm Credit Bank		11/24/2021	15,000,000.00	14,710,650.00	15,000,000.00	0.450	0.444	0.450	114	07/24/2023
3133ENGW4	22444	Federal Farm Credit Bank		12/13/2021	15,000,000.00	14,468,250.00	14,997,375.00	0.660	0.676	0.685	256	12/13/2023
3130APGN9	22427	Federal Home Loan Bank		10/28/2021	15,000,000.00	13,188,450.00	15,000,000.00	1.150	1.134	1.150	1,306	10/28/2026
3130APYX7	22442	Federal Home Loan Bank		11/30/2021	20,000,000.00	18,934,200.00	20,000,000.00	0.800	0.789	0.800	419	05/24/2024
3130AQJ38	22455	Federal Home Loan Bank		01/25/2022	25,000,000.00	23,585,000.00	25,000,000.00	1.050	1.036	1.050	481	07/25/2024
313383AQ4	22461	Federal Home Loan Bank		03/29/2022	25,000,000.00	24,634,750.00	25,005,248.53	2.220	2.139	2.168	151	08/30/2023
3130ARQ46	22464	Federal Home Loan Bank		04/28/2022	10,000,000.00	9,691,700.00	10,000,000.00	2.720	2.683	2.721	423	05/28/2024
3130A1XJ2	22471	Federal Home Loan Bank		05/13/2022	29,270,000.00	28,397,754.00	29,330,753.76	2.875	2.659	2.696	440	06/14/2024
3130ASRB7	22473	Federal Home Loan Bank		07/29/2022	15,000,000.00	14,773,950.00	15,000,000.00	3.400	3.354	3.400	300	01/26/2024
3137EAEY1	22387	Fed.Home Loan Mtg.Corp		10/21/2020	20,000,000.00	19,987,048.37	19,987,048.37	0.125	0.242	0.245	198	10/16/2023
3134GW6E1	22389	Fed.Home Loan Mtg.Corp		11/02/2020	18,000,000.00	17,396,820.00	18,000,000.00	0.320	0.316	0.320	215	11/02/2023
3137EAEZ8	22392	Fed.Home Loan Mtg.Corp		11/05/2020	10,000,000.00	9,673,600.00	9,999,105.00	0.250	0.261	0.265	219	11/06/2023
3137EAEX3	22398	Fed.Home Loan Mtg.Corp		12/22/2020	15,000,000.00	13,480,650.00	14,974,976.04	0.375	0.437	0.443	906	09/23/2025
3134GXRF3	22466	Fed.Home Loan Mtg.Corp		04/29/2022	25,000,000.00	24,105,500.00	25,000,000.00	2.625	2.590	2.626	485	07/29/2024

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3134GXTA2	22469	Fed.Home Loan Mtg.Corp		05/26/2022	20,000,000.00	19,367,800.00	20,000,000.00	3.050	3.010	3.051	513	08/26/2024
3134GXJ54	22474	Fed.Home Loan Mtg.Corp		07/29/2022	20,000,000.00	19,551,400.00	20,000,000.00	3.650	3.600	3.650	482	07/26/2024
3134GXK94	22475	Fed.Home Loan Mtg.Corp		08/15/2022	20,000,000.00	19,471,000.00	20,000,000.00	4.050	3.995	4.050	867	08/15/2025
3135G05G4	22452	Federal National Mort. Assoc.		12/30/2021	10,000,000.00	9,831,500.00	9,990,748.00	0.250	0.580	0.588	100	07/10/2023
		Subtotal and Average	**394,176,699.94**		**385,270,000.00**	**370,615,942.37**	**385,305,765.78**		**1.560**	**1.581**	**426**	
Medium Term Notes												
037833AK6	22463	Apple Inc		04/07/2022	4,000,000.00	3,981,120.00	4,001,346.32	2.400	1.987	2.015	32	05/03/2023
037833AK6	22472	Apple Inc		06/16/2022	8,145,000.00	8,106,555.60	8,140,477.85	2.400	2.994	3.036	32	05/03/2023
06048WQ60	22440	Bank of America		12/03/2021	20,000,000.00	18,846,000.00	20,000,000.00	1.000	0.986	1.000	429	06/03/2024
06048WT91	22457	Bank of America		03/10/2022	10,000,000.00	9,312,000.00	10,000,000.00	2.350	2.318	2.350	709	03/10/2025
06051GFB0	22467	Bank of America		04/22/2022	3,276,000.00	3,242,519.28	3,305,053.44	4.125	2.948	2.988	296	01/22/2024
06048WV31	22470	Bank of America		04/29/2022	10,000,000.00	9,586,500.00	10,000,000.00	3.100	3.058	3.100	394	04/29/2024
14912L6C0	22465	Caterpillar Financial Services		04/14/2022	3,000,000.00	2,925,870.00	3,023,261.11	3.300	2.588	2.624	435	06/09/2024
58933YAY1	22425	Merck & Co Inc		09/24/2021	5,000,000.00	4,424,300.00	4,978,746.42	0.750	0.888	0.900	1,060	02/24/2026
594918BB9	22462	Microsoft Corp		04/06/2022	17,544,000.00	16,874,170.08	17,576,700.07	2.700	2.559	2.595	683	02/12/2025
		Subtotal and Average	**81,026,754.09**		**80,965,000.00**	**77,299,034.96**	**81,025,585.21**		**2.132**	**2.162**	**488**	
Negotiable CDs												
65558UE40	22481	Prebon		02/06/2023	30,000,000.00	29,991,300.00	30,000,000.00	4.750	4.685	4.750	67	06/07/2023
21684XD29	22484	Prebon		03/14/2023	25,000,000.00	25,000,000.00	25,000,000.00	5.400	5.400	5.475	226	11/13/2023
87019WGK5	22478	Swedbank NY		12/07/2022	30,000,000.00	30,000,900.00	30,001,393.84	5.090	5.070	5.140	86	06/26/2023
89115B3Y4	22486	Swedbank NY		03/31/2023	25,000,000.00	25,000,000.00	25,000,000.00	5.300	5.300	5.374	181	09/29/2023
87019WKT1	22485	Toronto Dominion Bank		03/31/2023	25,000,000.00	25,000,000.00	25,000,000.00	5.260	5.260	5.333	272	12/29/2023
		Subtotal and Average	**76,130,669.21**		**135,000,000.00**	**134,992,200.00**	**135,001,393.84**		**5.123**	**5.194**	**160**	
Municipal Bonds												
127109PZ3	22336	Cabrillo Comm College GO		10/08/2019	3,035,000.00	2,996,576.90	3,035,000.00	1.964	1.937	1.964	122	08/01/2023
127109QB5	22477	Cabrillo Comm College GO		08/25/2022	1,215,000.00	1,139,074.65	1,180,081.18	2.194	3.452	3.500	853	08/01/2025
13063DGB8	22480	State of California		01/20/2023	15,200,000.00	14,873,181.00	15,131,187.45	3.375	4.095	4.152	731	04/01/2025
13032UXK9	22391	Calif Health Fac Fin & Auth		11/04/2020	6,500,000.00	6,427,915.00	6,500,000.00	0.553	0.545	0.553	61	06/01/2023
419792YR1	22421	HAWAII ST		08/20/2021	10,000,000.00	8,809,600.00	10,000,000.00	0.893	0.881	0.893	1,218	08/01/2026
54438CYL0	22439	Los Angeles Community College		11/15/2021	5,000,000.00	4,442,800.00	4,988,360.85	1.174	1.229	1.246	1,218	08/01/2026
801546QU9	22456	COUNTY OF SANTA CLARA		03/03/2022	2,430,000.00	2,338,437.60	2,449,323.54	2.000	1.372	1.391	488	08/01/2024
79770GJB3	22445	Suc Agc City & County San Fran		12/15/2021	4,250,000.00	3,865,885.00	4,281,873.05	1.561	1.214	1.231	853	08/01/2025
91412G2U8	22339	University of Calif		11/05/2019	3,000,000.00	2,984,730.00	3,002,682.61	2.519	1.737	1.761	44	05/15/2023

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Municipal Bonds												
91412GU94	22410	University of Calif		04/01/2021	8,600,000.00	8,240,606.00	9,004,984.12	3.063	0.911	0.924	822	07/01/2025
		Subtotal and Average	**59,577,373.83**		**59,230,000.00**	**56,118,806.15**	**59,573,492.80**		**1.886**	**1.913**	**730**	
Local Agency Investment Fund (LAIF)												
SYS6501	6501	LAIF (General Fund)			52,474.33	52,474.33	52,474.33	2.600	2.564	2.600	1	
		Subtotal and Average	**52,474.33**		**52,474.33**	**52,474.33**	**52,474.33**		**2.564**	**2.600**	**1**	
Dividends												
SYS22423	22423	US Bank			0.00	0.00	0.00	4.460	4.460	4.522	1	
		Subtotal and Average	**67.14**		**0.00**	**0.00**	**0.00**		**0.000**	**0.000**	**0**	
Treasury Discounts -Amortizing												
912796X53	22479	US Treasury Bill		12/16/2022	15,000,000.00	14,793,150.00	14,859,062.50	4.510	4.679	4.744	75	06/15/2023
912796ZS1	22482	US Treasury Bill		02/07/2023	20,000,000.00	19,665,200.00	19,756,800.00	4.560	4.712	4.778	96	07/06/2023
		Subtotal and Average	**34,549,675.00**		**35,000,000.00**	**34,458,350.00**	**34,615,862.50**		**4.698**	**4.763**	**87**	
Supranationals												
4581X0CF3	22407	Inter-American Devel Bank		03/15/2021	14,000,000.00	13,694,100.00	14,325,181.82	3.000	0.365	0.370	326	02/21/2024
459058JM6	22394	Int Bank of Recon & Developmen		12/03/2020	18,000,000.00	17,367,480.00	17,995,496.64	0.250	0.285	0.289	237	11/24/2023
459058JL8	22404	Int Bank of Recon & Developmen		02/18/2021	18,000,000.00	16,158,960.00	17,953,595.15	0.500	0.593	0.602	941	10/28/2025
459058JB0	22420	Int Bank of Recon & Developmen		07/15/2021	15,000,000.00	13,732,050.00	15,000,000.00	0.625	0.616	0.625	752	04/22/2025
45950KCP3	22375	International Fin Corp		06/09/2020	15,000,000.00	14,860,050.00	15,121,525.20	2.875	0.400	0.405	121	07/31/2023
		Subtotal and Average	**80,423,447.60**		**80,000,000.00**	**75,812,640.00**	**80,395,798.81**		**0.452**	**0.458**	**484**	
Money Market Mutual Funds 02												
070731229	1229	Bank of the West		12/07/2022	30,203,878.04	30,203,878.04	30,203,878.04	3.500	3.452	3.500	1	
SYS011119	22302	CAMP		01/11/2019	186,375,004.24	186,375,004.24	186,375,004.24	4.730	4.665	4.730	1	
157 519 832 743	22283	US Bank MMMF		10/23/2018	0.00	0.00	0.00	0.004	0.004	0.004	1	
		Subtotal and Average	**235,730,912.07**		**216,578,882.28**	**216,578,882.28**	**216,578,882.28**		**4.496**	**4.558**	**1**	
		Total and Average	**1,244,248,926.56**		**1,275,096,356.61**	**1,241,931,522.19**	**1,275,170,776.81**		**2.333**	**2.366**	**285**	

Month-End Report
Portfolio Management
Portfolio Details - Cash
March 31, 2023

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	1,244,248,926.56		1,275,096,356.61	1,241,931,522.19	1,275,170,776.81		2.333	2.366	285

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
January 1, 2023 - March 31, 2023

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: Bank of the West									
Money Market Mutual Funds 02									
070731229	1229	Bank of the West			3.500		15,203,878.04	0.00	
	Subtotal and Balance			**15,000,000.00**			**15,203,878.04**	**0.00**	**30,203,878.04**
		Dealer Subtotal	**2.369%**	**15,000,000.00**			**15,203,878.04**	**0.00**	**30,203,878.04**
Dealer: CAMP									
Money Market Mutual Funds 02									
SYS011119	22302	CAMP			4.800		288,041,998.99	376,666,994.75	
	Subtotal and Balance			**275,000,000.00**			**288,041,998.99**	**376,666,994.75**	**186,375,004.24**
		Dealer Subtotal	**14.617%**	**275,000,000.00**			**288,041,998.99**	**376,666,994.75**	**186,375,004.24**
Dealer: Cantor, Fitzgeral L.P.									
U.S. Treasury Notes/ Bonds									
912828Z86	22447	US Treasury N/B			1.375	02/15/2023	0.00	15,000,000.00	
912828WJ5	22483	US Treasury N/B			2.500	02/07/2023	20,000,000.00	0.00	
	Subtotal and Balance			**86,000,000.00**			**20,000,000.00**	**15,000,000.00**	**91,000,000.00**
Federal Agency Issues - Coupon									
	Subtotal and Balance			**20,000,000.00**					**20,000,000.00**
Medium Term Notes									
	Subtotal and Balance			**24,000,000.00**					**24,000,000.00**
Treasury Discounts -Amortizing									
	Subtotal and Balance			**15,000,000.00**					**15,000,000.00**
		Dealer Subtotal	**11.764%**	**145,000,000.00**			**20,000,000.00**	**15,000,000.00**	**150,000,000.00**

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: Jeffries & Company, INC									
U.S. Treasury Notes/ Bonds									
	Subtotal and Balance			**15,000,000.00**					**15,000,000.00**
Federal Agency Issues - Coupon									
	Subtotal and Balance			**33,000,000.00**					**33,000,000.00**
Medium Term Notes									
	Subtotal and Balance			**8,145,000.00**					**8,145,000.00**
	Dealer Subtotal		**4.403%**	**56,145,000.00**			**0.00**	**0.00**	**56,145,000.00**
Dealer: Keybanc Capital Mark									
U.S. Treasury Notes/ Bonds									
	Subtotal and Balance			**30,000,000.00**					**30,000,000.00**
Federal Agency Issues - Coupon									
313382AX1	22359	Federal Home Loan Bank			2.125	03/10/2023	0.00	15,000,000.00	
	Subtotal and Balance			**110,000,000.00**			**0.00**	**15,000,000.00**	**95,000,000.00**
	Dealer Subtotal		**9.803%**	**140,000,000.00**			**0.00**	**15,000,000.00**	**125,000,000.00**
Dealer: LAIF (General Fund)									
Local Agency Investment Fund (LAIF)									
SYS6501	6501	LAIF (General Fund)			2.810		261.34	0.00	
	Subtotal and Balance			**52,212.99**			**261.34**	**0.00**	**52,474.33**
	Dealer Subtotal		**0.004%**	**52,212.99**			**261.34**	**0.00**	**52,474.33**
Dealer: MUFG Union Bank NA									
Federal Agency Issues - Coupon									
3133ELUF9	22361	Federal Farm Credit Bank			0.790	03/15/2023	0.00	10,000,000.00	
	Subtotal and Balance			**10,000,000.00**			**0.00**	**10,000,000.00**	**0.00**

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: MUFG Union Bank NA									
Medium Term Notes									
037833BU3	22323	Apple Inc			2.850	02/23/2023	0.00	15,000,000.00	
	Subtotal and Balance			**15,000,000.00**			**0.00**	**15,000,000.00**	**0.00**
Municipal Bonds									
	Subtotal and Balance			**3,000,000.00**					**3,000,000.00**
	Dealer Subtotal		**0.235%**	**28,000,000.00**			**0.00**	**25,000,000.00**	**3,000,000.00**
Dealer: Piper Jaffray & Co									
Municipal Bonds									
	Subtotal and Balance			**4,250,000.00**					**4,250,000.00**
	Dealer Subtotal		**0.333%**	**4,250,000.00**			**0.00**	**0.00**	**4,250,000.00**
Dealer: Piper Sandler									
Municipal Bonds									
13063DGB8	22480	State of California			3.375	01/20/2023	15,200,000.00	0.00	
	Subtotal and Balance			**0.00**			**15,200,000.00**	**0.00**	**15,200,000.00**
Treasury Discounts -Amortizing									
912796ZS1	22482	US Treasury Bill			4.560	02/07/2023	20,000,000.00	0.00	
	Subtotal and Balance			**0.00**			**20,000,000.00**	**0.00**	**20,000,000.00**
	Dealer Subtotal		**2.761%**	**0.00**			**35,200,000.00**	**0.00**	**35,200,000.00**
Dealer: Prebon									
Federal Agency Issues - Coupon									
	Subtotal and Balance			**29,270,000.00**					**29,270,000.00**
Negotiable CDs									
89114WN92	22448	Toronto Dominion Bank			0.470	01/13/2023	0.00	25,000,000.00	
65558UE40	22481	Prebon			4.750	02/06/2023	30,000,000.00	0.00	
21684XD29	22484	Prebon			5.400	03/14/2023	25,000,000.00	0.00	

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									
87019WKT1	22485	Toronto Dominion Bank			5.260	03/31/2023	25,000,000.00	0.00	
89115B3Y4	22486	Swedbank NY			5.300	03/31/2023	25,000,000.00	0.00	
	Subtotal and Balance			**25,000,000.00**			**105,000,000.00**	**25,000,000.00**	**105,000,000.00**
		Dealer Subtotal	**10.530%**	**54,270,000.00**			**105,000,000.00**	**25,000,000.00**	**134,270,000.00**
Dealer: Royal Bank Canada Capital Mrkt									
U.S. Treasury Notes/ Bonds									
91282CBG5	22412	U.S.Trust			0.125	01/31/2023	0.00	17,000,000.00	
	Subtotal and Balance			**164,000,000.00**			**0.00**	**17,000,000.00**	**147,000,000.00**
Federal Agency Issues - Coupon									
	Subtotal and Balance			**73,000,000.00**					**73,000,000.00**
Medium Term Notes									
	Subtotal and Balance			**20,000,000.00**					**20,000,000.00**
Supranationals									
4581X0DA3	22390	Inter-American Devel Bank			2.500	01/18/2023	0.00	10,000,000.00	
	Subtotal and Balance			**76,000,000.00**			**0.00**	**10,000,000.00**	**66,000,000.00**
		Dealer Subtotal	**23.998%**	**333,000,000.00**			**0.00**	**27,000,000.00**	**306,000,000.00**
Dealer: Raymond James Financial Inc									
Federal Agency Issues - Coupon									
	Subtotal and Balance			**10,000,000.00**					**10,000,000.00**
Medium Term Notes									
	Subtotal and Balance			**8,000,000.00**					**8,000,000.00**
Municipal Bonds									
	Subtotal and Balance			**36,780,000.00**					**36,780,000.00**

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									
Supranationals									
	Subtotal and Balance			**14,000,000.00**					**14,000,000.00**
	Dealer Subtotal		**5.394%**	**68,780,000.00**			**0.00**	**0.00**	**68,780,000.00**
Dealer: Stifel Nicolaus & Co									
Federal Agency Issues - Coupon									
	Subtotal and Balance			**125,000,000.00**					**125,000,000.00**
Medium Term Notes									
	Subtotal and Balance			**20,820,000.00**					**20,820,000.00**
Negotiable CDs									
	Subtotal and Balance			**30,000,000.00**					**30,000,000.00**
	Dealer Subtotal		**13.789%**	**175,820,000.00**			**0.00**	**0.00**	**175,820,000.00**
Dealer: US Bank MMMF									
Dividends									
SYS22423	22423	US Bank			4.720		1,170.64	1,170.64	
	Subtotal and Balance			**0.00**			**1,170.64**	**1,170.64**	**0.00**
Money Market Mutual Funds 02									
	Subtotal and Balance			**0.00**					**0.00**
	Dealer Subtotal		**0.000%**	**0.00**			**1,170.64**	**1,170.64**	**0.00**
	Total		**100.000%**	**1,295,317,212.99**			**463,447,309.01**	**483,668,165.39**	**1,275,096,356.61**

ACCRUED INTEREST REPORT

As of March 31, 2023

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 - Maturity Date
January 1, 2023 - March 31, 2023

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										
91282CBG5	22412	TRC	0.00	01/31/2023	0.125	8,892.66	0.00	1,732.34	10,625.00	0.00
912828Z86	22447	TRC	0.00	02/15/2023	1.375	77,904.21	0.00	25,220.79	103,125.00	0.00
91282CCD1	22430	TRC	10,000,000.00	05/31/2023	0.125	1,098.90	0.00	3,090.66	0.00	4,189.56
91282CCD1	22446	TRC	25,000,000.00	05/31/2023	0.125	2,747.25	0.00	7,726.65	0.00	10,473.90
912828ZU7	22449	TRC	25,000,000.00	06/15/2023	0.250	2,918.96	0.00	15,453.29	0.00	18,372.25
91282CCK5	22460	TRC	9,000,000.00	06/30/2023	0.125	5,656.08	0.00	2,796.96	5,625.00	2,828.04
912828ZY9	22413	TRC	18,000,000.00	07/15/2023	0.125	10,394.02	0.00	5,579.74	11,250.00	4,723.76
912828ZY9	22451	TRC	30,000,000.00	07/15/2023	0.125	17,323.37	0.00	9,299.56	18,750.00	7,872.93
91282CCN9	22453	TRC	30,000,000.00	07/31/2023	0.125	15,692.93	0.00	9,272.54	18,750.00	6,215.47
91282CAF8	22408	TRC	12,000,000.00	08/15/2023	0.125	5,665.76	0.00	3,698.88	7,500.00	1,864.64
91282CAF8	22468	TRC	10,000,000.00	08/15/2023	0.125	4,721.47	0.00	3,082.40	6,250.00	1,553.87
91282CCU3	22450	TRC	5,000,000.00	08/31/2023	0.125	2,123.62	0.00	1,544.86	3,125.00	543.48
91282CAK7	22402	TRC	15,000,000.00	09/15/2023	0.125	5,593.92	0.00	4,647.25	9,375.00	866.17
91282CBE0	22411	TRC	22,000,000.00	01/15/2024	0.125	12,703.80	0.00	6,819.68	13,750.00	5,773.48
9128285Z9	22406	TRC	17,000,000.00	01/31/2024	2.500	177,853.26	0.00	105,088.73	212,500.00	70,441.99
91282CBM2	22403	TRC	20,000,000.00	02/15/2024	0.125	9,442.93	0.00	6,164.80	12,500.00	3,107.73
912828WJ5	22483	TRC	20,000,000.00	05/15/2024	2.500	0.00	116,022.10	73,204.42	0.00	189,226.52
91282CCC3	22416	TRC	15,000,000.00	05/15/2024	0.250	4,868.78	0.00	9,323.21	0.00	14,191.99
		Subtotal	**283,000,000.00**			**365,601.92**	**116,022.10**	**293,746.76**	**433,125.00**	**342,245.78**
Federal Agency Issues - Coupon										
313382AX1	22359	FAC	0.00	03/10/2023	2.125	98,281.25	0.00	61,093.75	159,375.00	0.00
3133ELUF9	22361	FAC	0.00	03/15/2023	0.790	23,261.11	0.00	16,238.89	39,500.00	0.00
3133EM4Q2	22428	FAC	20,000,000.00	05/15/2023	0.170	4,344.45	0.00	8,500.00	0.00	12,844.45
3135G05G4	22452	FAC	10,000,000.00	07/10/2023	0.250	11,875.00	0.00	6,250.00	12,500.00	5,625.00
3133ENEY2	22441	FAC	15,000,000.00	07/24/2023	0.450	29,437.50	0.00	16,875.00	33,750.00	12,562.50
313383AQ4	22461	FAC	25,000,000.00	08/30/2023	2.220	47,791.67	0.00	138,750.00	0.00	186,541.67
3137EAEY1	22387	FAC	20,000,000.00	10/16/2023	0.125	5,208.33	0.00	6,250.00	0.00	11,458.33
3134GW6E1	22389	FAC	18,000,000.00	11/02/2023	0.320	9,440.00	0.00	14,400.00	0.00	23,840.00
3137EAEZ8	22392	FAC	10,000,000.00	11/06/2023	0.250	3,819.44	0.00	6,250.00	0.00	10,069.44
3133ENGW4	22444	FAC	15,000,000.00	12/13/2023	0.660	4,950.00	0.00	24,750.00	0.00	29,700.00
3133EMNG3	22401	FAC	18,000,000.00	01/19/2024	0.230	18,630.00	0.00	10,350.00	20,700.00	8,280.00
3130ASRB7	22473	FAC	15,000,000.00	01/26/2024	3.400	215,333.33	0.00	127,500.00	250,750.01	92,083.32
3130APYX7	22442	FAC	20,000,000.00	05/24/2024	0.800	16,444.43	0.00	40,000.00	0.00	56,444.43
3130ARQ46	22464	FAC	10,000,000.00	05/28/2024	2.720	47,600.00	0.00	68,000.00	0.00	115,600.00

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest. Ending Accrued includes outstanding purchase 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
Federal Agency Issues - Coupon										
3130A1XJ2	22471	FAC	29,270,000.00	06/14/2024	2.875	39,738.09	0.00	210,378.13	0.00	250,116.22
3130AQJ38	22455	FAC	25,000,000.00	07/25/2024	1.050	113,750.00	0.00	65,625.00	131,250.00	48,125.00
3134GXJ54	22474	FAC	20,000,000.00	07/26/2024	3.650	308,222.22	0.00	182,500.01	358,916.66	131,805.57
3134GXRF3	22466	FAC	25,000,000.00	07/29/2024	2.625	277,083.33	0.00	164,062.50	328,125.00	113,020.83
3134GXTA2	22469	FAC	20,000,000.00	08/26/2024	3.050	211,805.56	0.00	152,500.00	305,000.00	59,305.56
3133EMNF5	22399	FAC	20,000,000.00	01/15/2025	0.375	34,583.33	0.00	18,750.00	37,500.00	15,833.33
3134GXK94	22475	FAC	20,000,000.00	08/15/2025	4.050	306,000.00	0.00	202,500.00	405,000.00	103,500.00
3137EAEX3	22398	FAC	15,000,000.00	09/23/2025	0.375	15,312.50	0.00	14,062.50	28,125.00	1,250.00
3130APGN9	22427	FAC	15,000,000.00	10/28/2026	1.150	30,187.50	0.00	43,125.00	0.00	73,312.50
		Subtotal	**385,270,000.00**			**1,873,099.04**	**0.00**	**1,598,710.78**	**2,110,491.67**	**1,361,318.15**
Medium Term Notes										
037833BU3	22323	MTN	0.00	02/23/2023	2.850	152,000.00	0.00	61,750.00	213,750.00	0.00
037833AK6	22463	MTN	4,000,000.00	05/03/2023	2.400	15,466.67	0.00	24,000.00	0.00	39,466.67
037833AK6	22472	MTN	8,145,000.00	05/03/2023	2.400	31,494.00	0.00	48,870.00	0.00	80,364.00
06051GFB0	22467	MTN	3,276,000.00	01/22/2024	4.125	59,684.63	0.00	33,783.75	67,567.50	25,900.88
06048WV31	22470	MTN	10,000,000.00	04/29/2024	3.100	53,388.89	0.00	77,500.00	77,500.00	53,388.89
06048WQ60	22440	MTN	20,000,000.00	06/03/2024	1.000	15,555.56	0.00	50,000.00	50,000.00	15,555.56
14912L6C0	22465	MTN	3,000,000.00	06/09/2024	3.300	6,050.00	0.00	24,750.00	0.00	30,800.00
594918BB9	22462	MTN	17,544,000.00	02/12/2025	2.700	182,896.20	0.00	118,422.00	236,844.00	64,474.20
06048WT91	22457	MTN	10,000,000.00	03/10/2025	2.350	72,458.33	0.00	58,750.00	117,500.00	13,708.33
58933YAY1	22425	MTN	5,000,000.00	02/24/2026	0.750	13,229.17	0.00	9,375.00	18,750.00	3,854.17
		Subtotal	**80,965,000.00**			**602,223.45**	**0.00**	**507,200.75**	**781,911.50**	**327,512.70**
Negotiable CDs										
89114WN92	22448	NCB	0.00	01/13/2023	0.470	124,680.55	0.00	3,916.67	128,597.23	-0.01
65558UE40	22481	NCB	30,000,000.00	06/07/2023	4.750	0.00	0.00	217,708.33	0.00	217,708.33
87019WGK5	22478	NCB	30,000,000.00	06/26/2023	5.090	106,041.67	0.00	381,750.00	0.00	487,791.67
89115B3Y4	22486	NCB	25,000,000.00	09/29/2023	5.300	0.00	0.00	3,680.56	0.00	3,680.56
21684XD29	22484	NCB	25,000,000.00	11/13/2023	5.400	0.00	0.00	67,500.00	0.00	67,500.00
87019WKT1	22485	NCB	25,000,000.00	12/29/2023	5.260	0.00	0.00	3,652.78	0.00	3,652.78
		Subtotal	**135,000,000.00**			**230,722.22**	**0.00**	**678,208.34**	**128,597.23**	**780,333.33**
Municipal Bonds										
91412G2U8	22339	MUN	3,000,000.00	05/15/2023	2.519	9,656.17	0.00	18,892.50	0.00	28,548.67
13032UXK9	22391	MUN	6,500,000.00	06/01/2023	0.553	2,995.42	0.00	8,986.25	0.00	11,981.67
127109PZ3	22336	MUN	3,035,000.00	08/01/2023	1.964	24,836.42	0.00	14,901.85	29,803.70	9,934.57
801546QU9	22456	MUN	2,430,000.00	08/01/2024	2.000	20,250.00	0.00	12,150.00	24,300.00	8,100.00
13063DGB8	22480	MUN	15,200,000.00	04/01/2025	3.375	0.00	155,325.00	101,175.00	0.00	256,500.00

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest. Ending Accrued includes outstanding purchase 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
Municipal Bonds										
91412GU94	22410	MUN	8,600,000.00	07/01/2025	3.063	131,709.00	0.00	65,854.50	131,709.00	65,854.50
127109QB5	22477	MUN	1,215,000.00	08/01/2025	2.194	11,107.13	0.00	6,664.27	13,328.55	4,442.85
79770GJB3	22445	MUN	4,250,000.00	08/01/2025	1.561	27,642.71	0.00	16,585.62	33,171.25	11,057.08
419792YR1	22421	MUN	10,000,000.00	08/01/2026	0.893	37,208.33	0.00	22,325.00	44,650.00	14,883.33
54438CYL0	22439	MUN	5,000,000.00	08/01/2026	1.174	24,458.33	0.00	14,675.00	29,350.00	9,783.33
		Subtotal	**59,230,000.00**			**289,863.51**	**155,325.00**	**282,209.99**	**306,312.50**	**421,086.00**
Local Agency Investment Fund (LAIF)										
SYS6501	6501	LA1	52,474.33		2.600	261.34	0.00	307.25	261.34	307.25
		Subtotal	**52,474.33**			**261.34**	**0.00**	**307.25**	**261.34**	**307.25**
Dividends										
SYS22423	22423	PA4	0.00		4.460	162.57	0.00	7,549.57	1,170.64	6,541.50
		Subtotal	**0.00**			**162.57**	**0.00**	**7,549.57**	**1,170.64**	**6,541.50**
Supranationals										
4581X0DA3	22390	MC6	0.00	01/18/2023	2.500	113,194.44	0.00	11,805.56	125,000.00	0.00
45950KCP3	22375	MC6	15,000,000.00	07/31/2023	2.875	180,510.42	0.00	107,812.50	215,700.00	72,622.92
459058JM6	22394	MC6	18,000,000.00	11/24/2023	0.250	4,625.00	0.00	11,250.00	0.00	15,875.00
4581X0CF3	22407	MC6	14,000,000.00	02/21/2024	3.000	151,666.67	0.00	105,000.00	210,000.00	46,666.67
459058JB0	22420	MC6	15,000,000.00	04/22/2025	0.625	17,743.75	0.00	23,437.50	0.00	41,181.25
459058JL8	22404	MC6	18,000,000.00	10/28/2025	0.500	15,750.00	0.00	22,500.00	0.00	38,250.00
		Subtotal	**80,000,000.00**			**483,490.28**	**0.00**	**281,805.56**	**550,700.00**	**214,595.84**
Money Market Mutual Funds 02										
070731229	1229	RRP	30,203,878.04		3.500	37,445.78	0.00	269,969.50	203,878.04	103,537.24
SYS011119	22302	RRP	186,375,004.24		4.730	881,052.36	0.00	2,661,141.78	2,704,830.31	837,363.83
157 519 832 743	22283	RRP	0.00		0.004	0.00	0.00	0.00	0.00	0.00
		Subtotal	**216,578,882.28**			**918,498.14**	**0.00**	**2,931,111.28**	**2,908,708.35**	**940,901.07**
		Total	**1,240,096,356.61**			**4,763,922.47**	**271,347.10**	**6,580,850.28**	**7,221,278.23**	**4,394,841.62**

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest. Ending Accrued includes outstanding purchase interest.

DESCRIPTION OF INVESTMENT INSTRUMENTS

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.

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.

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.

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APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

The following description under the heading "Procedures and Record Keeping" with respect to beneficial ownership interests in the Refunding Bonds, payment of principal of and interest on the Refunding Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Refunding Bonds, confirmation and transfer of beneficial ownership interests in the Refunding Bonds and other Refunding Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Refunding Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Procedures and Record Keeping

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Refunding Bonds. The Refunding Bonds will be executed and delivered 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 Refunding Bond will be issued for each maturity of the Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Refunding 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 Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

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

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

Prepayment Notices shall be sent to DTC. If less than all of the Refunding Bonds are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

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

Payments of principal amount and prepayment price of and interest payments on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal amount and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the Refunding Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Refunding Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully-registered Refunding Bond for each maturity of the Refunding Bonds registered in the name of such successor or substitute securities depository as are consistent with the terms of the Trust Agreement. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Refunding Bonds, then the Refunding Bonds shall no longer be restricted to being registered in the Refunding Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Refunding Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Refunding Bonds will be made available in physical form, (ii) principal amount of and prepayment premiums if any, on the Refunding Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Trust Agreement, and (iii) the Refunding Bonds will be transferable and exchangeable as provided in the Trust Agreement.

The District, the Corporation and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Refunding Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal amount of, prepayment price of the Refunding Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Trust Agreement; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial prepayment of the Refunding Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Refunding Bonds or the Trust Agreement. The District, the Corporation and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal amount of the Refunding Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District, the Corporation and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Refunding Bonds or any error or delay relating thereto.