NEW ISSUE – BOOK ENTRY ONLY **RATING:**
Moody's: "A2"
(See "RATING" herein.)

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof; however, 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. See "TAX MATTERS" herein.

$1,940,000
SHANDON JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Luis Obispo and Monterey, California)
GENERAL OBLIGATION BONDS
2020 ELECTION, 2023 SERIES B
(Bank Qualified)

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

The Shandon Joint Unified School District (Counties of San Luis Obispo and Monterey, California) General Obligation Bonds 2020 Election, 2023 Series B (the "Bonds") are being issued by the Shandon Joint Unified School District (the "District") to (i) finance the acquisition, construction, furnishing and equipping of District facilities and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECTS." The Bonds were authorized at an election within the District held on November 3, 2020 (the "Election"), at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $4,000,000 aggregate principal amount of general obligation bonds of the District (the "2020 Authorization"). The Bonds are the second and final series of general obligation bonds to be issued under the 2020 Authorization. The Bonds are issued on a parity basis with all other outstanding general obligation bonds of the District.

The Bonds are general obligations of the District only and are not obligations of the County of San Luis Obispo or the County of Monterey (together, the "Counties"), the State of California or any of its other political subdivisions. The Board of Supervisors of each of the Counties has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2023. See ''THE BONDS'' herein.

The Bonds will be issued in book-entry form only, in denominations of $5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by U.S. Bank Trust Company, National Association as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System."

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

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds are offered when, as and if issued, subject to the approval of their legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about May 31, 2023.

STIFEL

The Date of this Official Statement is: May 17, 2023.

MATURITY SCHEDULE

$1,940,000
SHANDON JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Luis Obispo and Monterey, California)
GENERAL OBLIGATION BONDS,
2020 ELECTION, 2023 SERIES B
(Bank Qualified)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] (819414)
2024	$115,000	5.000%	3.170%	EB5
2025	155,000	5.000	2.980	EC3
2026	115,000	5.000	2.870	ED1
2027	75,000	5.000	2.810	EE9
2028	85,000	5.000	2.780	EF6
2029	95,000	5.000	2.750	EG4
2030	110,000	5.000	2.750	EH2
2031	125,000	5.000	2.780	EJ8
2032	145,000	5.000	2.830	EK5
2033	155,000	5.000	2.890	EL3
2034	170,000	5.000	2.960 [C]	EM1
2035	180,000	5.000	3.100 [C]	EN9
2036	200,000	5.000	3.290 [C]	EP4
2037	215,000	5.000	3.460 [C]	EQ2

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C Yield to par call on August 1, 2033.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Counties of San Luis Obispo and Monterey, State of California

District Administrators

Kristina Benson, Ed.D., *Superintendent/Principal*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Municipal Advisor

Dale Scott & Company, Inc.
San Francisco, California

Paying Agent, Transfer Agent and Registration Agent

U.S. Bank Trust Company, National Association
Los Angeles, California

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion 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. Although certain information set forth in this Official Statement has been provided by the County of San Luis Obispo, the County of San Luis Obispo has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE SAN LUIS OBISPO COUNTY POOLED INVESTMENT FUND."

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

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

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County of San Luis Obispo, the County of Monterey, 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 District maintains a website. However, the information presented on the website is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Bonds.

$1,940,000
SHANDON JOINT UNIFIED SCHOOL DISTRICT
(Counties of San Luis Obispo and Monterey, California)
GENERAL OBLIGATION BONDS
2020 ELECTION, 2023 SERIES B
(Bank Qualified)

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 Bonds to potential investors is made only by means of the entire Official Statement.

Event Subsequent to the Preliminary Official Statement

On May 12, 2023, Governor Newsom released his revisions to the budget for fiscal year 2023-24 for the State of California (the "May Revision"). A summary of relevant provisions of the May Revision are included herein. See "DISTRICT FINANCIAL INFORMATION- State Budget Measures" herein.

General

The Shandon Joint Unified School District (the "District") proposes to issue $1,940,000 aggregate principal amount of its General Obligation Bonds 2020 Election, 2023 Series B (the "Bonds"), under and pursuant to a bond authorization (the "2020 Authorization") for the issuance and sale of not more than $4,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 3, 2020 (the "Election"). The Bonds are the second series of general obligation bonds issued pursuant to the 2020 Authorization. Subsequent to the issuance of the Bonds, no further aggregate principal amount of general obligation bonds will remain for issuance under the 2020 Authorization.

Proceeds from the sale of the Bonds will be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith. See "THE PROJECTS" herein.

Registration

U.S. Bank Trust Company, National Association will act as the initial registrar, transfer agent and paying agent for the Bonds (the "Paying Agent"). As long as The Depository Trust Company, New York, New York ("DTC") is the registered owner of the Bonds and DTC's book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. See "THE BONDS – Description of the Bonds" herein.

The District

The District was established in 1926 and is located in the northern portion of San Luis Obispo County (the "County") and southern portion of Monterey County (the County and Monterey County, together, the "Counties") in California's Central Coast, approximately midway between San Francisco and Los Angeles. The boundaries of the District encompass an area of approximately 600 square miles within the Counties with an estimated population of about 1,770 residents. Approximately 77.3% of the total assessed value of the District is derived from property in San Luis Obispo County while approximately 22.7% of the total assessed value is derived from property in Monterey County. The District operates two elementary schools and one high school, providing education services to students in grades kindergarten through twelve. The District's average daily attendance ("ADA") for fiscal year 2022-23 is budgeted at 232 students, per the District's Second Interim Budget Report, and the District has a 2022-23 total assessed valuation of $539,246,166. The District's audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX B. For further information concerning the District, see the caption "SHANDON JOINT UNIFIED SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of each of the Counties is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. U.S. Bank Trust Company, National Association, Los Angeles, California, is acting as registrar, transfer agent and paying agent for the Bonds. Dale Scott & Company is acting as Municipal Advisor to the District in connection with the issuance of the Bonds. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley, Dale Scott & Company, and U.S. Bank Trust Company, National Association will receive compensation from the District contingent upon the sale and delivery of the Bonds. Kutak Rock LLP will receive compensation from the Underwriter contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-

LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Bank Qualified

The District has designated the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about May 31, 2023.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the "Government Code") (commencing with Section 53506) and pursuant to a resolution of the Board adopted on April 18, 2023 (the "Resolution").

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the Election, which includes septic system repairs, improvements to student safety and technology, and additional classrooms. See "THE PROJECTS" herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of $5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of $5,000 principal amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by U.S. Bank Trust Company, National Association., as Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" herein.

Payment of the Bonds

Interest on the Bonds is payable commencing August 1, 2023, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date"). Principal of the Bonds is payable annually on August 1, commencing August 1, 2024, as shown on the inside front cover hereto until maturity or the earlier redemption thereof. The Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on a Record Date and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2033 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2034 may be redeemed before maturity at the option of the District, in whole or in part, from any source of available funds, on any date on or after August 1, 2033 at a redemption price equal to the par amount to be redeemed, plus accrued interest to the date of redemption, without premium.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all of the Bonds are called for redemption, such Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed shall be determined by lot.

Notice of Redemption

Notice of any redemption of the Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Bonds to be redeemed; (vi) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (vii) the CUSIP number, if any, of each Bond to be redeemed; (viii) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (ix) notice that further interest on such Bonds will not accrue after the designated redemption date; and (x) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

Effect of Notice of Redemption

A certificate of the Paying Agent that notice of redemption has been given to Owners shall be conclusive as against all parties. Neither the failure to receive the notice of redemption, nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for in the Resolution, and when the redemption price of the Bonds called for redemption is set aside for the purpose, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the Interest and Sinking Fund or the trust fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice of Redemption

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

Transfer and Exchange

If the Bonds are no longer in book-entry-only form, any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If any or all outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Interest and Sinking Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds outstanding at maturity or redemption thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to such outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$1,940,000.00
Original Issue Premium	251,117.75
Total Sources	$2,191,117.75
Uses of Funds	
Deposit to Building Fund	$1,746,200.00
Deposit to Interest and Sinking Fund	251,117.75
Costs of Issuance(1)	193,800.00
Total Uses	$2,191,117.75

(1) Includes payment of Underwriter's discount, Bond and Disclosure Counsel fees, municipal advisory fees, paying agent fees, rating agency fees and other costs of issuance.

District Investments; Application of Proceeds

The San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq*., funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's pooled investment fund (the "Pooled Investment Fund"). As the District is under the jurisdiction of the San Luis Obispo County Office of Education, the District's funds are deposited with the Treasurer along with the other school districts in the County.

The composition and value of investments under management in the Pooled Investment Fund vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. For a further discussion of the Pooled Investment Fund, see the caption "THE SAN LUIS OBPISPO COUNTY POOLED INVESTMENT FUND" herein.

The net proceeds from the sale of the Bonds (other than premium) shall be paid to the County to the credit of the Shandon Joint Unified School District Building Fund (the "Building Fund") established pursuant to the Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the Project (as described below). Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the Interest and Sinking Fund. Earnings on the investment of moneys in either the Building Fund or the Interest and Sinking Fund will be retained in the respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Interest and Sinking Fund may only be applied to make payments of principal of and interest, and premium, if any, on bonds of the District. All funds held in the Building Fund and the Interest and Sinking Fund will be invested by the Treasurer in accordance with the investment policy of the County.

DEBT SERVICE SCHEDULES

The first of the following two tables summarizes the annual principal and interest payments on the Bonds, assuming no optional redemptions. The second table shows the annual debt service payments on all of the District's outstanding general obligation bonds, rounded to the nearest dollar, comprising the Shandon Joint Unified School District (San Luis Obispo County and Monterey County, California) General Obligation Bonds, Election of 2016, Series A (the "2016 Series A Bonds"), the Shandon Joint Unified School District (San Luis Obispo County and Monterey County, California) General Obligation Bonds, 2020 Election, 2021 Series A (the "2021 Series A Bonds") and the Bonds assuming no optional redemptions:

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2023	--	$ 16,436.11	$ 16,436.11
2024	$ 115,000	97,000.00	212,000.00
2025	155,000	91,250.00	246,250.00
2026	115,000	83,500.00	198,500.00
2027	75,000	77,750.00	152,750.00
2028	85,000	74,000.00	159,000.00
2029	95,000	69,750.00	164,750.00
2030	110,000	65,000.00	175,000.00
2031	125,000	59,500.00	184,500.00
2032	145,000	53,250.00	198,250.00
2033	155,000	46,000.00	201,000.00
2034	170,000	38,250.00	208,250.00
2035	180,000	29,750.00	209,750.00
2036	200,000	20,750.00	220,750.00
2037	215,000	10,750.00	225,750.00
Total	$1,940,000	$832,936.11	$2,772,936.11

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SHANDON JOINT UNIFIED SCHOOL DISTRICT
DEBT SERVICE ON ALL OUTSTANDING BONDS

Bond Year Ending August 1	2016 Series A Bonds	2021 Series A Bonds	The Bonds	Total Debt Service
2023	$ 139,475	$ 120,650	$ 16,436	$ 276,561
2024	143,275	72,400	212,000	427,675
2025	146,675	61,400	246,250	454,325
2026	149,675	75,900	198,500	424,075
2027	157,275	84,650	152,750	394,675
2028	159,075	87,900	159,000	405,975
2029	165,644	90,900	164,750	421,294
2030	166,450	88,650	175,000	430,100
2031	171,875	86,400	184,500	442,775
2032	173,375	84,150	198,250	455,775
2033	179,625	87,800	201,000	468,425
2034	185,800	91,300	208,250	485,350
2035	191,525	100,200	209,750	501,475
2036	196,800	103,900	220,750	521,450
2037	207,200	107,500	225,750	540,450
2038	212,000	116,000	--	328,000
2039	221,400	119,194	--	340,594
2040	230,200	127,281	--	357,481
2041	233,400	135,031	--	368,431
2042	241,200	147,556	--	388,756
2043	253,400	149,588	--	402,988
2044	259,800	161,500	--	421,300
2045	265,600	167,875	--	433,475
2046	280,800	169,000	--	449,800
2047	--	205,000	--	205,000
Total	$4,731,544	$2,841,725	$2,772,936	$10,346,205

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SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Boards of Supervisors of the Counties have the power and are obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the respective County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds.

The District received authorization to issue $4,000,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District at the 2020 Authorization. The Bonds are the second series of bonds issued under the 2020 Authorization. Subsequent to the issuance of the Bonds, no additional principal amount of general obligation bonds will remain for issuance under the 2020 Authorization.

Property Taxation System

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

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

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service

Under State of California ("State") law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds. Such *ad valorem* taxes are held by the County separate and apart from other funds of the County and the District. See "SOURCES AND USES OF FUNDS – District Investments; Application of Proceeds" hereinabove.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on and after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad* *valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the Counties levy and receive and all interest earnings thereon (the "Pledged Moneys"). The Pledged Moneys shall be held by the County and transferred to the Paying Agent to be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District, payable solely from Pledged Moneys and do not constitute an obligation of the Counties except as provided in the Resolution. No part of any fund or account of the Counties is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

THE PROJECTS

The District intends to apply the net proceeds of the Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list.

The "Smaller Classes, Safer Schools, and Financial Accountability Act," a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds, which was then submitted to the voters at the Election (the "Project List"). The District will prioritize and may not undertake to complete all components of the Project List.

TAX BASE FOR REPAYMENT OF THE BONDS

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

***Ad Valorem* Property Taxation**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the Counties as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Each of the Counties levies a 1% property tax on behalf of all taxing agencies in the respective County. The taxes collected are allocated on the basis of a formula established by State law enacted in

1979. Under this formula, the Counties and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, each of the Counties levies and collects additional approved property taxes and assessments on behalf of any taxing agency within such County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by each of the County Assessors, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES" herein.

The State Constitution currently requires a credit of $7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of $100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to $150,000 if the applicant meets the income limit of $40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, 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.

The following tables presents the historical assessed valuation in the District as a whole, in the portion of the District lying in San Luis Obispo County and in the portion of the District lying in Monterey County, respectively, since fiscal year 2011-12. The District's total assessed valuation is $539,246,166 for fiscal year 2022-23, approximately 77.3% of which is derived from property in San Luis Obispo County and approximately 22.7% of which is derived from property in Monterey County.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Total District
Fiscal Years 2011-12 Through 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2011-12	$281,297,418	--	$ 8,566,919	$ 289,864,337	--
2012-13	288,693,361	--	8,857,584	297,550,945	2.65%
2013-14	297,386,918	--	8,286,298	305,673,216	2.73
2014-15	318,242,419	--	8,743,152	326,985,571	6.97
2015-16	336,560,792	--	7,512,168	344,072,960	5.23
2016-17	357,409,831	--	10,477,005	367,886,836	6.92
2017-18	384,141,389	--	14,101,913	398,243,302	8.25
2018-19	402,472,245	--	32,058,383(1)	434,530,628	9.11
2019-20	453,212,180	--	826,522,154(1)	1,279,734,334	194.51
2020-21	461,741,489	--	52,645,036(1)	514,386,525	(59.80)
2021-22	458,312,842	--	46,983,604	505,296,446	(1.76)
2022-23	490,127,369	--	49,118,797	539,246,166	6.72

(1) Reflects construction of a 280 mega-watt solar farm in Monterey County, the 2019-20 assessed value of which was appealed and re-assessed downward in 2020-21.
Source: *California Municipal Statistics, Inc.*

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SHANDON JOINT UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
San Luis Obispo County Portion
Fiscal Years 2011-12 Through 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2011-12	$231,630,477	--	$ 8,113,359	$239,743,836	--
2012-13	232,734,218	--	8,407,508	241,141,726	0.58%
2013-14	240,221,420	--	7,851,481	248,072,901	2.87
2014-15	255,785,457	--	8,310,304	264,095,761	6.46
2015-16	272,060,168	--	7,092,907	279,153,075	5.70
2016-17	289,029,094	--	9,630,374	298,659,468	6.99
2017-18	313,992,513	--	11,750,552	325,743,065	9.07
2018-19	326,155,852	--	11,208,786	337,364,638	3.57
2019-20	377,522,174	--	9,010,557	386,532,731	14.57
2020-21	385,618,826	--	9,805,747	395,424,573	2.30
2021-22	380,094,764	--	5,655,707	385,750,471	(2.44)
2022-23	410,710,450	--	5,938,482	416,648,932	8.00

Source: *California Municipal Statistics, Inc*.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Monterey County Portion
Fiscal Years 2011-12 Through 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2011-12	$49,666,941	--	$ 453,560	$ 50,120,501	--
2012-13	55,959,143	--	450,076	56,409,219	12.55%
2013-14	57,165,498	--	434,817	57,600,315	2.11
2014-15	62,456,962	--	432,848	62,889,810	9.18
2015-16	64,500,624	--	419,261	64,919,885	3.23
2016-17	68,380,737	--	846,631	69,227,368	6.64
2017-18	70,148,876	--	2,351,361	72,500,237	4.73
2018-19	76,316,393	--	20,849,547(1)	97,165,990	34.02
2019-20	75,690,006	--	817,511,597(1)	893,201,603	819.25
2020-21	76,122,663	--	42,839,289(1)	118,961,952	(86.68)
2021-22	78,218,078	--	41,327,897	119,545,975	0.49
2022-23	79,416,919	--	43,180,315	122,597,234	2.55

(1) Reflects construction of a 280 mega-watt solar farm, the 2019-20 assessed value of which was appealed and re-assessed downward in 2020-21.
Source: *California Municipal Statistics, Inc.*

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Economic and other factors beyond the District's control, such as 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 education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the Counties to pay the debt service with respect to the Bonds. See "SECURITY FOR THE BONDS."

Natural Disasters Impacting Assessed Valuations

Drought Conditions. Water shortfalls resulting from the driest conditions in recorded State history caused a State-wide drought State of Emergency for California in 2014 and the imposition by State regulators of reductions in water usage through 2017 when the State-wide drought ended in almost all California counties.

During fiscal year 2020-21, 2021-22, and continuing during fiscal year 2022-23, much of the State has experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. On July 8, 2021, Governor Newsom signed Executive Order N-10-21 calling on all Californians to voluntarily reduce water usage by 15%. On October 19, 2021, Governor Newsom declared a State of Emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during rain and using potable water to clean hard surfaces and driveways. On June 14, 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations.

According to the U.S. Drought Monitor, as of April 4, 2023, 56.17% of the State is experiencing no drought, 18.97% of the State is experiencing Abnormally Dry conditions, 24.04% of the State is experiencing Moderate Drought, and 0.82% of the State is experiencing Severe Drought. The County is currently experiencing no drought conditions. The District cannot predict if or when water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

Wildfires. In recent years, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. During the summer of 2020, California experienced large-scale wildfires in several portions of the State. The District was not materially impacted by recent wildfires.

Earthquakes. All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the District due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the District and other local public entities and would require a high level of self-help, coordination and cooperation.

The District is located in a high risk-level earthquake zone. Shandon and the surrounding areas within the County have experienced a total of 2,596 earthquakes since 1931, with the largest earthquake within 30 miles of the Shandon area being a 6.0 magnitude, which occurred in 2004. According to the USGS database, there is an almost 95% chance of a major earthquake (i.e., greater than 5.0 magnitude) within 30 miles of the Shandon area within the next 50 years.

Climate Change. Climate change caused by human activities may have adverse effects on the property within the boundaries of the District. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts and wildfires as well as increased risk of flooding and a rise in sea levels. Projections of the impacts of global climate change are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts.

The occurrence of natural disasters within the boundaries of the District could result in substantial damage to property within the District (including District properties) and, in turn, could substantially reduce assessed valuations of such property.

Change in Economic Conditions. The District cannot make any representation regarding the effects that COVID-19, drought, flooding, change in economic conditions, caused by pandemic or otherwise, fire conditions, earthquakes, or other natural disasters has had, or may have on the value of taxable property within the District, or to what extent such conditions could cause disruptions to agricultural production, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

Reassessments and Appeals of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 ("Proposition 8"), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization ("SBE"), with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the factors described in the paragraph above or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution."

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. See the table titled "Summary of Assessed Valuations" hereinabove under the subheading "Assessed Valuations" for information regarding the assessment appeal by the owner of a solar farm within the District in Monterey County.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIIIA (currently, a 2% annual maximum) until such assessed value again equals the Article XIIIA base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIIIA and base year values may not be increased by more than the standard Article XIIIA annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIIIA base year value for such property. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution" herein.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE 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 SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes; however, effective January 1, 2018, the SBE only hears appeals related to the programs that it constitutionally administers, and the Office of Tax Appeals hears 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.

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District.

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Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use for fiscal year 2022-23.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
2022-23 Assessed Valuation and Parcels by Land Use

Non-Residential:	2022-23 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$295,800,067	60.35%	1,432	65.12%
Commercial	2,733,588	0.56	12	0.55
Vacant Commercial	1,128,452	0.23	14	0.64
Industrial	720,459	0.15	9	0.41
Government/Social/Institutional	559,632	0.11	71	3.23
Miscellaneous	508,809	0.10	50	2.27
Subtotal Non-Residential	$301,451,007	61.50%	1,588	72.21%
Residential:				
Single Family Residence	$172,200,362	35.13%	494	22.46%
Mobile Home	7,896,489	1.61	35	1.59
2-4 Residential Units	6,729,690	1.37	8	0.36
Vacant Residential	1,849,821	0.38	74	3.37
Subtotal Residential	$188,676,362	38.50%	611	27.79%
Total	$490,127,369	100.00%	2,199	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 Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2022-23, including the median and average assessed value per single family parcel.

SHANDON JOINT 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	494	$172,200,362	$348,584	$270,784

2022-23 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	10	2.024%	2.024%	$ 158,448	0.092%	0.092%
$25,000 -$49,999	20	4.049	6.073	745,219	0.433	0.525
$50,000 - $74,999	15	3.036	9.109	927,523	0.539	1.063
$75,000 - $99,999	18	3.644	12.753	1,636,609	0.950	2.014
$100,000 - $124,999	27	5.466	18.219	3,018,727	1.753	3.767
$125,000 - $149,999	24	4.858	23.077	3,302,389	1.918	5.685
$150,000 - $174,999	29	5.870	28.947	4,664,749	2.709	8.394
$175,000 - $199,999	27	5.466	34.413	5,001,062	2.904	11.298
$200,000 - $224,999	27	5.466	39.879	5,753,590	3.341	14.639
$225,000 - $249,999	26	5.263	45.142	6,149,323	3.571	18.210
$250,000 - $274,999	32	6.478	51.619	8,429,773	4.895	23.105
$275,000 - $299,999	38	7.692	59.312	10,940,921	6.354	29.459
$300,000 - $324,999	27	5.466	64.777	8,463,183	4.915	34.374
$325,000 - $349,999	32	6.478	71.255	10,804,921	6.275	40.648
$350,000 - $374,999	36	7.287	78.543	12,930,382	7.509	48.157
$375,000 - $399,999	11	2.227	80.769	4,266,122	2.477	50.635
$400,000 - $424,999	13	2.632	83.401	5,390,834	3.131	53.765
$425,000 - $449,999	9	1.822	85.223	3,912,013	2.272	56.037
$450,000 - $474,999	11	2.227	87.449	5,055,426	2.936	58.973
$475,000 - $499,999	9	1.822	89.271	4,400,314	2.555	61.528
$500,000 and greater	53	10.729	100.000	66,248,834	38.472	100.000
	494	100.000%		$172,200,362	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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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2022-23.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
2022-23 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	% of Total [(1)]
1.	John R. Stephenson Trust	Agricultural	$ 41,549,974	8.48%
2.	The Hearst Corporation	Agricultural	26,109,816	5.33
3.	Truesdale LP	Agricultural	22,771,427	4.65
4.	Shandon Valley Vineyards LLC	Agricultural	19,525,851	3.98
5.	Four Palms Vineyards LLC	Agricultural	18,053,734	3.68
6.	West Bay Co. LLC	Agricultural	15,294,367	3.12
7.	Asellus – Paso Robles LLC	Agricultural	13,158,144	2.68
8.	Sunnyslope LP	Agricultural	12,394,879	2.53
9.	Carolyn Farris Trust	Agricultural	9,462,382	1.93
10.	SVP Winery LLC	Agricultural	8,471,267	1.73
11.	Vineyard Mountain Ranch LLC	Agricultural	7,986,703	1.63
12.	Great Western Vineyards LLC	Agricultural	7,581,400	1.55
13.	Fallingstar Homes Inc.	Rural Residential	7,138,014	1.46
14.	Mzirp Inc.	Agricultural	7,079,065	1.44
15.	Mamzirp LLC	Rural Residential	6,300,058	1.29
16.	John C. Comino Trust	Agricultural	5,807,528	1.18
17.	San Juan North	Agricultural	5,745,875	1.17
18.	Peter G. Clark Trust	Rural Residential	4,595,912	0.94
19.	Treasure Way LLC	Agricultural	4,509,601	0.92
20.	Kevin D. & June E. Kester	Agricultural	3,619,082	0.74
			$247,155,079	50.43%

[(1)] 2022-23 local secured assessed valuation: $490,127,369
Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers (on the secured roll) for 2022-23 account for 50.43% of the local secured assessed value in the District, which is $490,127,369. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2022-23 was the John R. Stephenson Trust, accounting for 8.48% of the secured assessed value in the District. No other secured taxpayer accounted for more than 5.33% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Secured Tax Charge and Delinquency

The following table sets forth the secured tax charge and delinquency in the District for fiscal years 2020-21 and 2021-22.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Fiscal Year 2020-21 and 2021-22 Secured Tax Charges and Delinquencies

Monterey County Portion

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2020-21	$45,615.00	$657.75	1.44%
2021-22	46,877.00	389.04	0.83

San Luis Obispo County Portion

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2020-21	$230,469.48	$1,710.13	0.74%
2021-22	229,544.44	3,108.26	1.35

(1) District's general obligation bond debt service levy.
Source: *California Municipal Statistics, Inc.*

The Teeter Plan

County of San Luis Obispo. The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied on the secured roll with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in that County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

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

Monterey County. The Board of Supervisors of Monterey County has not adopted the Teeter Plan so the District is subject to delinquencies but is entitled to interest and penalties on delinquent payments with respect to property within Monterey County.

Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt, dated April 4, 2023, for debt outstanding as of April 1, 2023:

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2022-23 Assessed Valuation: $539,246,166

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/23
San Luis Obispo Community College District	0.802%	$1,253,526
Shandon Joint Unified School District	**100.000**	**4,755,000** (1)
Monterey County Water Resources Agency, Zone No. 2C	0.147	27,570
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$6,036,096
OVERLAPPING GENERAL FUND DEBT:		
San Luis Obispo County Certificates of Participation	0.622%	$524,015
San Luis Obispo County Pension Obligation Bonds	0.622	163,555
Monterey County General Fund Obligations	0.147	176,067
Monterey County Office of Education Certificates of Participation	0.147	6,781
TOTAL OVERLAPPING GENERAL FUND DEBT		$870,418
Less: Monterey County supported obligations		(4,193)
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$866,225
GROSS COMBINED TOTAL DEBT		$6,906,514 (2)
NET COMBINED TOTAL DEBT		$6,902,321

Ratios to 2022-23 Assessed Valuation:

Direct Debt ($4,755,000)	**0.88%**
Total Direct and Overlapping Tax and Assessment Debt	1.12%
Gross Combined Total Debt	1.28%
Net Combined Total Debt	1.28%

(1) Excludes the Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: *California Municipal Statistics, Inc.*

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's 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 and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and State Constitutional requirements, and required to be levied by each of the Counties on all taxable property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") was implemented in stages, beginning in fiscal year 2013-14 with full implementation in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State Budget (defined below), as amended by Senate Bill 91 ("SB 91") and other legislation since initial implementation, comprise the statutory framework of the LCFF. The LCFF replaced the revenue limit funding system and many categorical programs. The LCFF distributes resources to schools through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant per unit of ADA under the LCFF is more than the average revenue limit under the prior funding system. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2022-23, the LCFF provided to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) $9,132 per ADA for kindergarten through grade 3; (b) $9,269 per ADA for grades 4 through 6; (c) $9,545 per ADA for grades 7 and 8; and (d) $11,060 per ADA for grades 9 through 12.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of a cost-of-living-adjustment ("COLA") is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2022-23, a 6.56% COLA was included. See "– State Budget Measures – 2022-23 State Budget" and "– Proposed 2023-24 State Budget" for information regarding the proposed COLA for fiscal year 2023-24. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals and are not discussed separately herein). A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 65% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

Enrollment and ADA

The following table sets forth the historical Enrollment and ADA for the District for fiscal years 2012-13 through 2021-22.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Historical Enrollment and ADA
Fiscal Years 2012-13 through 2021-22

Fiscal Year	Enrollment	ADA
2012-13	308	290
2013-14	282	267
2014-15	292	281
2015-16	289	293
2016-17	310	301
2017-18	321	303
2018-19	297	302
2019-20	284	270
2020-21	282	270
2021-22	279	271

Source: *The District.*

Declining Enrollment. Over the prior five fiscal years, the District has experienced a decline in enrollment of approximately 42 students. The District projects that enrollment will continue to decline by another approximately 30 students over the current and next two fiscal years as reflected in its budget and as shown in the following table. The District attributes the decline in enrollment to local demographic shifts including a decline in birth rates and an increase in families moving away from the area. See "DISTRICT FINANCIAL INFORMATION – District Budgets" for a discussion of the impact of declining enrollment, among other factors, on the District's financial condition.

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The following table sets forth the ADA, enrollment and the percentage of EL/LI enrollment for fiscal year 2021-22, budgeted for fiscal year 2022-23, and projections for fiscal years 2023-24 and 2024-25.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
ADA, Enrollment and English Language/Low Income Enrollment
Fiscal Years 2021-22 through 2024-25

	ADA					Enrollment	
Fiscal Year	TK-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2021-22	61.18	55.62	48.98	82.34	248.12	279	81.87%
2022-23(1)	64.80	56.70	38.70	72.00	232.20	259	82.22
2023-24(2)	69.92	49.68	36.80	75.44	231.84	252	82.12
2024-25(2)	70.84	40.48	39.56	78.20	229.08	249	81.18

(1) Budgeted.
(2) Projected.
Source: *The District.*

Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts, other than certain charter school districts, were held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. Additionally, due to State-wide declining enrollment trends, additional hold harmless measures have been instituted to shelter school districts from large annual revenue losses. For fiscal year 2021-22, ADA for funding purposes was based on ADA for fiscal year 2019-20. The fiscal year 2022-23 budget for the State permits school districts to use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures."

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

Certain schools districts, known as "community-funded" districts (formerly, "basic aid" districts), have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community-funded school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community-funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as community funded.

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement. The District has not previously been subject to any of the above-described support and intervention procedures.

Revenue Sources

The District categorizes its general fund revenues into four sources. Each of these revenue sources is briefly described below.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See "- State Funding of Education – Local Control Funding Formula" above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Student Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as instructional materials, and various block grants.

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

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

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District. For fiscal year 2022-23, residential development is assessed a fee of $3.79 per square foot, and commercial development is assessed a fee of $0.61 per square foot. The following table lists the annual developer fees generated since fiscal year 2018-19.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
District Developer Fees
Fiscal Years 2018-19 through 2022-23

Fiscal Year	Developer Fees Collected
2018-19	$26,490
2019-20	22,805
2020-21	75,897
2021-22	18,221
2022-23[1]	10,239

[1] Budgeted, per second interim report.
Source*: The District.*

The following table presents the District's percentage of general fund revenue by source.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source
Fiscal Years 2018-19 through 2022-23

Revenue Source	2018-19	2019-20	2020-21	2021-22	2022-23[1]
LCFF sources	80.42%	86.42%	74.83%	69.99%	69.31%
Federal revenues	3.62	4.15	8.43	12.76	6.75
Other State revenues	10.29	5.22	10.97	13.10	20.30
Other local revenues	5.68	4.21	5.75	4.13	3.62

[1] Based on fiscal year 2022-23 Second Interim Budget Report.
Source*: The District.*

COVID-19 Outbreak and its Economic Impact

In late 2019, an outbreak of COVID-19, a respiratory virus, initially occurred in China and subsequently spread globally. The global outbreak, together with measures undertaken to limit the spread of COVID-19 imposed by local and federal governments, caused volatility in financial markets as well as operating restrictions upon many businesses. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and increases in inflation as these restrictions and closures have been lifted.

Federal Response. On March 13, 2020, in response to the COVID-19 outbreak, then President Trump declared a national emergency, making available more than $50 billion in federal resources to combat the spread of COVID-19. Contemporaneously, Congress enacted and the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to provide relief and stimulus to American businesses and individuals impacted by COVID-19. The CARES Act also designated $339.8 billion for state and local governments with $274 billion for COVID-19 response efforts as well as an additional $13 billion for K-12 schools. In order to provide extensions to certain benefits previously provided under the CARES Act, as well as address ongoing economic impacts of the COVID-19 pandemic, in December, 2020, the federal government enacted the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSA") which included $900 billion of coronavirus emergency response and relief including $54.3 billion for K-12 schools and $22.7 billion for higher education. In March, 2021, President Biden signed a $1.9 trillion stimulus package (the "American Rescue Package") into law, authorizing a third round of one-time stimulus payments for qualifying Americans, extending additional unemployment benefits, and providing $123 billion in new, flexible aid to school districts. On January 31, 2023, the Biden Administration announced that the United States would end its COVID-19 emergency declarations on May 11, 2023.

State Response. In response to the outbreak of COVID-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency. On March 19, 2020, Governor Newsom issued an Executive Order requiring mandatory shelter-in-place for all non-essential services. In September, 2020, the Governor replaced the Executive Order with the "Blueprint for a Safer Economy" ("Blueprint") which provided regulations for economic and social activity on a county by county basis related to certain metrics of disease transmission. The Blueprint system was terminated on June 15, 2021 and Governor Newsom ended the State of Emergency relating to COVID-19 on February 28, 2023.

As a result of the various regulations imposed in order to slow the spread of COVID-19, economic activity within the State, the County and the community around and within the District suffered episodes of recession and/or depression. Generally, a majority of the State's general fund revenue is derived from personal income tax receipts. However, the 2021-22 State Budget (defined below) and 2022-23 State Budget (defined below) indicated increases in State revenues during the COVID-19 pandemic, although current projections for the 2023-24 State budget forecast revenues decreasing from recent years. See " – State Budget Measures – Proposed 2023-24 State Budget" for additional information regarding projected State revenues in fiscal year 2023-24.

Impact of COVID-19 on California School Districts

To assist school districts respond to the spread of COVID-19, on March 13, 2020, Governor Newsom issued Executive Order N-26-20, providing that school districts that initiate a school closure would continue to receive state funding to support all of the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in noncongregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. The Executive Order also provided that statutory mandated maintenance of schools for a minimum of 175 days was waived for school districts that initiated a school closure to address COVID-19.

To address the impacts of school closures and the COVID-19 response, the California legislature, in 2020, adopted legislation to appropriate $500,000,000 from the State General Fund for any purpose related to the Governor's declared State of Emergency. Among other things, the legislation provided that, for all school districts that complied with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, would be reported for apportionment purposes and, further, held harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak.

The District, in tandem with other school districts in the State, closed its school campuses for the remainder of the 2019-20 school year and implemented a distance learning program. The District began the 2020-21 school year with a distance learning program and began offering a hybrid model of instruction for all grades beginning in the second half of the 2020-21, when the County moved into a lower risk assessment tier under the Blueprint. The District began the 2021-22 school year offering full time in-person learning, for which the State provided grants to incentivize and assist school districts with re-opening and learning loss mitigation.

During the COVID-19 pandemic, the District received approximately $1,697,438 in aggregate relief, including funding from the CARES Act, CRRSA and the American Rescue Package. The District has used such funding for, among other things, staff training, sanitizing supplies, educational technology, mental health services, professional development, broadband connectivity, meal services for families, and learning loss staffing and plans to use additional COVID-19 funding to improve air quality and ventilation, outdoor learning spaces, curriculum and instructional materials, and English language development and math supports.

The District cannot predict the extent or duration of another COVID-19 outbreak or what impact it may have on the District's General Fund revenues. However, the Bonds are general obligations of the District payable solely from ad valorem property taxes and are not payable from the General Fund of the District. See "SECURITY FOR THE BONDS" herein.

Budget Procedures

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

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. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts 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.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, 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 August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 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 August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the State Superintendent of all school districts whose budget has 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 Financial Reports. 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 fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District filed positive certifications for each reporting period in the last five fiscal years except for the first and second interim reports for fiscal year 2019-20 and the first interim report for fiscal year 2020-21 which the District filed with qualified certifications. Factors contributing to the qualified certifications include declining enrollment and unduplicated pupil count, decreased revenues and increased expenses including retirement contributions and apportionment deferrals. The District has certified its second interim report for fiscal year 2022-23 with a positive certification.

General Fund Budget. The District's General Fund adopted budgets for fiscal years 2018-19 through 2022-23, audited actuals for the fiscal years 2018-19 through 2021-22 and projected fiscal results for fiscal year 2022-23 based on the second interim report are set forth on the following page.

SHANDON JOINT UNIFIED SCHOOL DISTRICT

General Fund Budgeting
For Fiscal Years 2018-19 through 2022-23

	Adopted Budget 2018-19[(1)]	Audited Actuals 2018-19[(1)]	Adopted Budget 2019-20[(1)]	Audited Actuals 2019-20[(1)]	Adopted Budget 2020-21[(1)]	Audited Actuals 2020-21	Adopted Budget 2021-22	Audited Actuals 2021-22	Adopted Budget 2022-23[(2)]	Second Interim Report 2022-23[(3)]
REVENUES										
LCFF Sources	$3,951,120	$3,971,783	$4,002,891	$6,551,958[(4)]	$1,070,077[(5)]	$4,675,516	$3,980,145	$3,990,084	$4,061,993	$4,461,054
Federal	167,937	178,750	264,454	314,482	145,833	527,078	146,879	727,748	230,108	434,749
Other State	317,062	508,181	217,685	396,137	289,302	685,987	281,846	747,303	279,756	1,307,214
Other Local	236,043	280,344	264,928	319,384	310,874	359,284	256,845	235,468	217,769	233,355
Total Revenues	4,672,162	4,939,058	4,749,958	7,581,961	1,816,086	6,247,865	4,665,715	5,700,603	4,789,626	6,436,371
EXPENDITURES										
Certificated Salaries	1,731,860	1,742,239	1,815,671	1,750,737	1,710,326	1,729,137	1,758,862	1,929,994	1,794,533	1,840,131
Classified Salaries	788,683	723,199	783,998	715,658	766,904	720,805	769,678	866,353	874,203	873,112
Employee Benefits	1,135,497	1,233,439	1,166,283	1,148,643	1,205,801	1,105,140	1,257,595	1,223,196	1,279,740	1,299,179
Books and Supplies	255,280	291,509	269,867	276,766	228,091	469,765	232,465	389,955	253,812	325,027
Services, Other Operating Expenses	583,282	557,992	762,740	780,503	589,458	725,650	649,911	1,079,724	650,434	859,785
Other Outgo	194,701	177,926	179,348	167,792	--	3,606,674[6]	205,789	129,498	244,188	243,766
Direct Support/Indirect Costs	--	--	--	--	--	--	--	--	--	--
Capital Outlay	10,000	--	10,000	24,766	--	7,520	--	7,526	--	20,481
Total Expenditures	4,699,303	4,726,304	4,967,907	4,864,865	4,500,580	8,364,691	4,874,300	5,626,246	5,096,910	5,461,479
EXCESS (DEFICIENCY) OR REVENUES OVER (UNDER) EXPENDITURES	(27,141)	212,754	(217,949)	2,717,096	(2,684,494)	(2,116,826)	(208,585)	74,357	(307,284)	974,892
OTHER FINANCING SOURCES (USES)										
Interfund Transfers in	--	--	--	--	--	--	--	--	--	--
Interfund transfers out	(12,183)	(15,388)	(31,243)	(30,843)	--	(26,197)	(59,570)	--	(42,263)	(42,263)
Total Other Financing Sources and Uses	(12,183)	(15,388)	(31,243)	(30,843)	--	(26,197)	(59,570)	--	(42,263)	(42,263)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(39,324)	197,366	(249,192)	2,686,253	(2,684,494)	(2,143,023)	(268,155)	74,357	(349,547)	932,629
Beginning Fund Balance, July 1	825,126	825,126	1,022,492	1,022,492	3,708,745	3,708,745	1,565,722	1,565,722	1,640,079	1,640,079
Fund Balance, June 30	$785,802	$1,022,492	$773,300	$3,708,5684	$1,024,251	$1,565,722	$1,297,567	$1,640,079	$1,290,531	$2,572,707

(1) From the audited financial statements of the District for the given fiscal year.
(2) From the adopted budget of the District for fiscal year 2022-23.
(3) From the second interim report of the District for fiscal year 2022-23.
(4) An increase in unsecured assessed value in Monterey County resulting from construction of a solar farm (See "Tax Base for Repayment of the Bonds - Assessed Valuations" herein) in fiscal year 2019-20 increased the District's property tax receipts which comprise a portion of LCFF revenues. The unsecured assessed value of the solar farm was subsequently revised downward for fiscal year 2020-21 and the District's property tax receipts decreased accordingly.
(5) Includes budgeted repayment of approximately $3,400,000 in property taxes received from Monterey County in fiscal year 2019-20 and receipt of approximately $819,000 in prior year State aid to backfill amounts necessary to reach target funding requirements under LCFF for fiscal year 2019-20.
(6) Comprised primarily of property taxes returned to Monterey County. See footnotes 4 and 5.

Source*: The District*

Comparative Financial Statements

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2022, and prior fiscal years are on file with the District and available for public inspection by contacting the District at 101 South First Street, Box 79, Shandon, California 93461. See APPENDIX B hereto for the 2021-22 Audited Financial Statements of the District.

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The following table reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2018-19 through fiscal year 2021-22:

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Change in Fund Balances
for Fiscal Years 2018-19 through 2021-22

	2018-19 Audit	2019-20 Audit	2020-21 Audit	2021-22 Audit
REVENUES				
LCFF Sources	$3,971,783	$6,551,958[(1)]	$4,675,516	$3,990,084
Federal Revenues	178,750	314,482	527,078	727,748
Other State Revenues	508,181	396,137	685,987	747,303
Other Local Revenues	280,344	319,384	359,284	235,468
TOTAL REVENUES	4,939,058	7,581,961	6,247,865	5,700,603
EXPENDITURES				
Instruction	2,650,903	2,763,720	2,607,560	3,004,629
Instruction – Related Services	583,501	570,234	504,516	623,701
Pupil Services	452,391	449,018	436,166	539,245
Ancillary Services	41,635	37,827	11,488	52,941
Community Services	45,000	45,000	45,000	45,000
General Administration	320,695	367,018	648,431	671,351
Plant Services	454,253	439,490	497,336	552,355
Other Outgo	177,926	167,792	3,606,674[(2)]	129,498
Capital Outlay	--	24,766	7,520	7,526
TOTAL EXPENDITURES	4,726,304	4,864,865	8,364,691	5,626,246
Excess (Deficiency) of Revenues Over Expenditures	212,754	2,717,096	(2,116,826)	74,357
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	--	--	--	--
Operating Transfers Out	(15,388)	(30,843)	(26,197)	--
TOTAL OTHER FINANCING SOURCES (USES)	(15,388)	(30,843)	(26,197)	--
Net Change in Fund Balances	197,366	2,686,253	(2,143,023)	74,357
Fund Balance at Beginning of Year	825,126	1,022,492	3,708,745	1,565,722
Fund Balance at End of Year	$1,022,492	$3,708,745	$1,565,722	$1,640,079

(1) Reflects an increase in unsecured assessed value in Monterey County resulting from construction of a solar farm (See "Tax Base for Repayment of the Bonds - Assessed Valuations" herein) in fiscal year 2019-20 which increased the District's property tax receipts which comprise a portion of LCFF revenues. The assessed value of the solar farm was subsequently revised downward commencing in fiscal year 2020-21 and the District's property tax receipts decreased accordingly.
(2) Comprised primarily of property taxes returned to Monterey County as a result of reduction of assessed value of solar farm.
Source*: The District.*

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Accounting Practices

The accounting policies 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 State Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information.

2022-23 State Budget. Governor Newsom signed legislation which enacted the budget for the State for fiscal year 2022-23 (the "2022-23 State Budget") on June 30, 2022. The 2022-23 State Budget projected approximately $219.7 billion in general fund revenues with a prior year balance of $22.5 billion for total resources of $242.2 billion, and $234.4 billion in expenditures for fiscal year 2022-23. For fiscal year 2021-22, the 2022-23 State Budget estimated $265.4 billion in resources and $242.9 billion in expenditures. The 2022-23 State Budget projected $37.2 billion in reserves, including $23.3 billion in the Budget Stabilization Account (the "BSA") for fiscal emergencies, $900 million in the Safety Net Reserve, $9.5 billion in the Public School Stabilization Account (the "PSSSA"), and an estimated $3.5 billion in the State's operating reserve. The BSA is at its constitutional maximum (10% of general fund revenues) requiring $465 million to be dedicated for infrastructure investments in fiscal year 2022-23. Over the multi-year forecast period, the 2022-23 State Budget reflected $8 billion in supplemental deposits split evenly between the BSA and the Safety Net Reserve. As a result of the deposits to the PSSSA, the 10% cap on school district reserves was projected to be applicable in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein for more information regarding school district reserves.

The 2022-23 State Budget prioritized one-time spending over ongoing spending, allocating 93% of discretionary funds to one-time spending. The 2022-23 State Budget provided an over $17 billion broad-based relief package, including a refund of up to $1,050 to benefit millions of Californians based on income level and the size of household. The relief package also included increased grants for the State's lowest income families and individuals, and additional funding for food banks.

The 2022-23 State Budget also addressed environmental matters facing California. The 2022-23 State Budget included $1.2 billion to advance wildfire prevention and forest resilience investments and funded an additional 1,265 new positions to expand the State's wildfire response capacity. $1.2 billion was included for immediate drought support with an additional $1.5 billion deferred for allocation for long-term water resilience. The 2022-23 State Budget also allocated $4.3 billion to provide energy reliability insurance through the development of a strategic reserve, protection to ratepayers, and accelerated deployment of clean energy projects, with an additional $3.8 billion deferred for allocation in the summer of 2022 to further reliability and affordability and accelerate the State's clean energy future.

With respect to K-12 education, the 2022-23 State Budget included total funding of $128.6 billion ($78.6 billion general fund and $50 billion other funds) for all K-12 education programs. The 2022-23 State Budget estimated Proposition 98 funds of $96.1 billion in fiscal year 2020-21, $110.2 billion in fiscal year 2021-22, and $110.4 billion in fiscal year 2022-23 for K-14 education programs. For K-12 schools, the result was Proposition 98 per pupil spending of $16,993 in 2022-23, a $3,017 increase over the fiscal year 2021-22 per pupil spending levels. Additionally, in the same period, per pupil spending from all sources increased to $22,893 under the 2022-23 State Budget.

The 2022-23 State Budget included an LCFF COLA of 6.56%. Additionally, the 2022-23 State Budget included $4.32 billion ongoing Proposition 98 funds to increase LCFF base funding by an additional 6.28%. The 2022-23 State Budget also included $101.2 million ongoing Proposition 98 funds to augment LCFF funding for county offices of education.

To support school districts with a declining student population, the 2022-23 State Budget provided that school districts might use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enabled school districts that can demonstrate they provided independent study offerings during fiscal year 2021-22 to be funded at the greater of their current year ADA or their current year enrollment adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year. The 2022-23 State Budget included $2.8 billion of ongoing funding under Proposition 98 and $413 million in one-time funding under Proposition 98 to implement these school fiscal stabilization policies.

Additional significant provisions of the 2022-23 State Budget relating to K-12 education included the following:

- *Learning Recovery Emergency Fund* – $7.9 billion in one-time Proposition 98 funds to support learning recovery initiatives through the 2027–28 school year.

- *Arts, Music, and Instructional Materials Discretionary Block Grant* – $3.6 billion one-time Proposition 98 funds for arts and music programs, standards-aligned professional development, instructional materials, developing diverse book collections, operational costs, and expenses related to the COVID-19 Pandemic.

- *Expanded Community School Model* – $1.1 billion in Proposition 98 funds to expand the community school model and provide grants for high needs schools in communities with high levels of poverty.

- *Educator Workforce* – $48.1 million for training and retention of well-prepared educators including waiving certain teacher examination fees, grants for integrated teacher preparation programs and operations support for the Commission on Teacher Credentialing.

- *Teacher and School Counsel Residencies* – $250 million one-time Proposition 98 funds to expand residency slots for teachers and school counselors and eligibility for the Golden State Teacher Grant Program.

- *Educator Support for Science, Technology, Engineering, and Mathematics (STEM) Instruction* – $85 million one-time Proposition 98 funds for the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.

- *State Preschool* – $312.7 million in Proposition 98 funds and $172.3 million in other funds to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health, $250 million one-time Proposition 98 funds to support the Inclusive Early Education Expansion Program, $300 million one-time Proposition 98 funds for planning and implementation grants, $166.2 million Proposition 98 funds to support the full-year costs of State preschool rate increases and $148.7 million one-time funds to maintain reimbursement rate increases.

- *Transitional Kindergarten* – $614 million in Proposition 98 funds for the first year of expanded eligibility for transitional kindergarten and $383 million Proposition 98 funds to add one additional staff person to every transitional kindergarten class.

- *Expanded Learning Opportunities Program* – $3 billion Proposition 98 funds to accelerate expanded-day, full-year instruction and enrichment focused on school districts with the highest concentrations of low-income students, English language learners, and youth in foster care.

- *Community Engagement Initiative* – $100 million in Proposition 98 funds to further positive relationship building between school districts and local communities.

- *Special Education* – $500 million in Proposition 98 funds for the special education funding formula, amending the special education funding formula to calculate special education base funding allocations at the local educational agency level, and consolidating the special education extraordinary cost pools into a single cost pool to simplify the current funding formula.

- *College and Career Pathways* – $500 million in Proposition 98 funds to support the development of pathway programs focused on technology, health care, education, and climate-related fields and $200 million in Proposition 98 funds to strengthen and expand student access and participation in dual enrollment opportunities.

- *Home-to-School Transportation* – $637 million in Proposition 98 funds to reimburse school districts for up to 60% of their transportation costs in the prior year.

- *Zero Emission School Buses* – $1.5 billion in Proposition 98 general funds for greening school bus fleets.

- *Nutrition* – $596 million in Proposition 98 funds for universal subsidized school meals, $611.8 million in Proposition 98 funds to augment the state meal reimbursement rate, $600 million in Proposition 98 funds for school kitchen infrastructure upgrades and equipment, food service employee training, and compensation related to serving fresh, minimally processed California-grown foods, and $100 million in Proposition 98 funds for procurement practices for plant-based, restricted diet meals, California-grown or California-produced, sustainably grown, or whole or minimally processed foods, or to prepare meals fresh onsite.

- *K-12 School Facilities* – Approximately $1.4 billion in Proposition 51 funds for school construction projects as well as $1.3 billion in fiscal year 2021-22, $2.1 billion in fiscal year 2023-24 and $875 million in fiscal year 2024-25 for new construction and modernization projects, and $100 million in fiscal year 2021-22 and $550 million in fiscal year 2023-24 for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

Proposed 2023-24 State Budget. Governor Newsom announced his proposed budget for the State for fiscal year 2023-24 (the "Proposed 2023-24 State Budget") on January 10, 2023, citing a downturn in current State revenues of approximately $29.5 billion from the 2022-23 State Budget resulting in a $22.5 billion budget deficit in fiscal year 2023-24. The Proposed 2023-24 State Budget projects revenues and transfers in fiscal year 2023-24 of $231 billion and expenditures of $223 billion. A balanced budget is accomplished through funding delays, reductions and shifts from general funds to other funding sources. However, certain reductions in the areas of climate and transportation, housing, parks and workforce training are set to be restored if sufficient revenues are available in subsequent fiscal years. The Proposed 2023-24 State Budget reflects $35.6 billion in total budgetary reserves including $22.4 billion in the BSA, $8.5 billion in the PSSSA, $900 million in the Safety Net Reserve, and $3.8 billion in the State's operating reserve.

The Proposed 2023-24 State Budget provides total K-12 education funding of $128.5 billion ($78.7 general fund and $49.8 billion from other funds). K-12 per pupil funding totals $17,519 from Proposition 98 sources, its highest level ever, and $23,723 per pupil when accounting for all funding sources. The projected decrease in State revenues under the Proposed 2023-24 State Budget also lowers the Proposition 98 guarantee to $110.4 billion in fiscal year 2021-22, $106.9 billion in fiscal year 2022-23 and $108.8 billion in fiscal year 2023-24. The deposit to the PSSSA is also lowered under the Proposed 2023-24 State Budget to $365 million in fiscal year 2023-24. However, the cap of 10% on school district reserves remains in effect because the $8.1 billion balance in the PSSSA in fiscal year 2022-23 is greater than 3% of the total K-12 Proposition 98 guarantee.

LCFF funding under the Proposed 2023-24 State Budget receives a COLA of 8.13%. The Proposed 2023-24 State Budget also includes $300 million ongoing Proposition 98 funds to establish an equity multiplier as an add-on to the LCFF to augment resources for the highest-need schools in the State.

The Proposed 2023-24 State Budget includes $690 million to implement the second year of transitional kindergarten expansion and $165 million to support an additional certificated or classified staff person in TK classrooms; however, it delays the 2022-23 State Budget's $550 million investment in the Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program planned for fiscal year 2023-24 until 2024-25.

Significant provisions of the Proposed 2023-24 State Budget pertaining to K-12 education are as follows:

- Proposition 28—$941 million (equivalent to 1% of the Proposition 98 guarantee) to fund the Arts and Music in Schools-Funding Guarantee approved by voters in November, 2022 to increase art instruction and/or arts programs.

- State Preschool Program—$64.5 million Proposition 98 funds and $51.8 million general funds to continue the multi-year plan to ramp-up inclusivity in the State Preschool Program.

- Commercial Dishwasher Grants—$15 million one-time Proposition 98 funds to support school kitchen infrastructure related investments to specifically support a local educational agency's acquisition and installation of a commercial dishwasher.

- Student Friendly Services—$3.9 million ongoing Proposition 98 funds to support the California College Guidance Initiative.

- K-12 High Speed Network—$3.8 million ongoing Proposition 98 funds to support the K-12 High Speed Network program.

- Reversing Opioid Overdoses—An increase of $3.5 million ongoing Proposition 98 general funds for all middle and high school sites to maintain at least two doses of naloxone hydrochloride or another medication to reverse an opioid overdose on campus for emergency aid.

- Data Support—An increase of $2.5 million non-Proposition 98 general funds and 15 positions for the California Department of Education to meet state and federal data and accountability reporting requirements, support data exchanges with other agencies, and to quickly respond to emergent needs for data both internally and externally.

- Fiscal Crisis and Management Assistance Team (FCMAT)—An increase of $750,000 ongoing Proposition 98 general funds to support the professional development of local educational agencies' Chief Budget Officers through mentorship programming by FCMAT.

May Revision to Proposed 2023-24 State Budget. Governor Newsom announced his updates to the Proposed 2023-24 State Budget on May 12, 2023 (the "May Revision") which address further revenue declines. The May Revision recognizes new risks since the Proposed 2023-24 State Budget, including federal debt limit issues, higher interest rates, uncertainty in financial institutions and delayed tax receipts due to later filing deadlines of state and federal income taxes.

Since the release of the Proposed 2023-24 State Budget, the general fund budget shortfall, after transfers and adjustments, is estimated to have increased by $9.3 billion, for a total general fund budget shortfall of $31.5 billion. For fiscal year 2023-24, the May Revision projects total revenues and transfers of $233 billion and expenditures of $224 billion. The May Revision includes $37.2 billion in reserves: $22.3 billion in the BSA; $450 million in the Safety Net Reserve; $10.7 billion in the PSSSA and $3.8 billion in the State's operating reserve. A balanced budget is accomplished under the May Revision through additional spending reductions and pullbacks, delayed spending, fund shifts, alternate revenues and borrowing and a withdrawal from the Safety Net Reserve.

The May Revision includes $127.2 billion ($79.1 billion general fund and $48.1 billion other funds) in total funding for K-12 programs. The May Revision maintains and increases the required deposit to the PSSSA from $8.5 billion under the Proposed 2023-24 State Budget to $10.7 billion for fiscal year 2023-24. The balance in the PSSSA will be equal to or greater than 3% of the total K-12 share of the Proposition 98 funds in fiscal year 2023-24 which will trigger the 10% cap on school district reserves under Proposition 2 in fiscal year 2023-24. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein.

With regards to LCFF funding, the LCFF COLA is updated from 8.13% under the Proposed 2023-24 State Budget to 8.22% at the May Revision. Under the May Revision, Proposition 98 funding is estimated to be $110.6 billion in fiscal year 2021-22, $106.8 billion in fiscal year 2022-23, and $106.8 billion in fiscal year 2023-24, representing a three-year decrease of $2 billion below the level estimated in the Proposed 2023-24 State Budget.

Other relevant provisions of the May Revision relating to K-12 education include the following:

- Arts, Music, and Instructional Materials Discretionary Block Grant (Proposition 28)— A decrease of approximately $607 million one-time Proposition 98 funds for the Arts, Music, and Instructional Materials Block Grant which is required to be funded in an amount equal to one percent of the Proposition 98 Guarantee.

- Learning Recovery Emergency Block Grant—A decrease of approximately $2.5 billion one-time Proposition 98 funds for the Learning Recovery Emergency Block Grant to approximately $5.4 billion.

- County Offices of Education— $80 million ongoing Proposition 98 funds to support county offices of education serving students in juvenile court and other alternative school settings. In addition, a 50% increase to the base grant allocation that county offices of education receive to support their differentiated assistance work, due to the lengthened timeline for differentiated assistance from one to two years of eligibility in the Proposed 2023-24 State Budget.

- Transitional Kindergarten— Due to a reduction in transitional kindergarten enrollment projections, a reduction in the costs of i) expanding transitional kindergarten for the first year from $604 million Proposition 98 funds to approximately $357 million, ii) adding an additional certificated or classified staff person to each transitional kinder classroom from $337 million to $283 million and iii) the second year of transitional kinder from approximately $690 million to approximately $597 million. Such reductions in cost are due to decreased transitional kindergarten enrollment projections.

- State Preschool Family Fee Waivers and 2022-23 Stipends—$4.4 million non-Proposition 98 funds and $5.3 million Proposition 98 funds to continue to waive family fees from July 1, 2023, through September 30, 2023, to extend relief to families who would otherwise have to start paying family fees in July and approximately $112 million in available federal funds to provide temporary employee stipends to the California State Preschool Program.

- Expanded Learning Opportunities Program—Further statutory changes to provide LEAs with additional time to expend Expanded Learning Opportunities Program ("ELOP") funding allocations by extending the expenditure deadline for ELOP funds received in 2021-22 and 2022-23 from June 30, 2023, to June 30, 2024.

- Nutrition—$110 million one-time Proposition 98 funds and approximately $191 million ongoing Proposition 98 funds to fully fund the Universal Meals Program in fiscal year 2022-23 and fiscal year 2023-24.

- Bipartisan Safer Communities Act, Stronger Connections Program—$119.6 million one-time federal funds to support state-level activities related to school climate and safety through the Stronger Connections Program.

- Bilingual Teacher Professional Development Program—$20 million one-time Proposition 98 funds to be available through the 2028-29 fiscal year to support the Bilingual Teacher Professional Development Program.

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will, in the future, take further measures which would, in turn, adversely affect the District. Further State actions taken to address any budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions. See also "DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact" for a discussion of COVID-19 and its impact on the State economy.

The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

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

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

Legislation Implementing Article XIIIA

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

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

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

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

Unitary Property

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "–Proposition 98" and "–Proposition 111" below.

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article 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 98

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

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

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

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

a. 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.

b. 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.

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

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

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

Proposition 39

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

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

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 "Controller")). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the 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 and Proposition 22

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

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its property tax apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, 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. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over

$300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative ("Proposition 55") which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired at the end of 2016.

Proposition 51

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

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

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

The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 ("Proposition 2"), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account ("BSA"). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the PSSSA which serves as a reserve account for school funding in years when the State budget is smaller. See "State Budget Measures – 2020-21 State Budget" above for information regarding the budgeted withdrawal of funds from the PSSSA in fiscal year 2020-21.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the State's PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES—Proposition 98"), a school district's adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts. With an ADA under 2,501 students, SB 751 does not apply to the District.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 5% of general fund expenditures and other financing uses (school districts under 300 ADA). On June 30, 2022, the District had available reserves of $1,029,101. The reserve for economic uncertainties for fiscal year 2022-23 is estimated at $275,187, or 10.48% of the District's General Fund expenditures and other financing uses.

Proposition 28. On November 8, 2022, voters approved The Arts and Music in Schools- Funding Guarantee and Accountability Act which provides additional funding for arts and music education in all K–12 public schools (including charter schools) by annually allocating from the State general fund an amount equal to 1% of total State and local revenues received by public schools in the preceding fiscal year under Proposition 98. Amounts provided under Proposition 28 are in addition to and not considered a part of the Proposition 98 guarantee. Funds appropriated under Proposition 28 are to be allocated 70% based on a school district's share of Statewide enrollment and 30% based on such school district's share of Statewide enrollment of economically disadvantaged students and must be distributed to school sites following such allocation. School districts must expend funds received pursuant to Proposition 28 within three years or such funds revert to CDE for reallocation under Proposition 28.

As a condition to receipt of funds under Proposition 28, school districts must certify that funds are to be used for arts education and that funds received in the prior fiscal year were, in fact, used for those purposes. Additionally, no more than 1% of Proposition 28 funds may be used for administrative purposes in implementing Proposition 28 programs. Schools with 500 or more students must certify that at least 80% of the funding is to be used to employ teachers and that the remainder will be spent on training, supplies, and education partnerships. Amounts appropriated under Proposition 28 in a given year may be reduced if the State legislature suspends the Proposition 98 guarantee but only in an amount equal to the percent reduction of the Proposition 98 guarantee. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures – Proposed 2023-24 State Budget" for information regarding Proposition 28 in the Proposed 2023-24 State Budget.

Future Initiatives. Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98, 111 and 28 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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SHANDON JOINT UNIFIED SCHOOL DISTRICT

Introduction

The District was established in 1926 and is located in the northern portion of San Luis Obispo County and southern portion of Monterey County in California's Central Coast, approximately midway between San Francisco and Los Angeles. The boundaries of the District encompass an area of approximately 600 square miles within the Counties and an estimated population of about 1,770 residents. Approximately 77.3% of the total assessed value of the District is derived from property in San Luis Obispo County while approximately 22.7% of the total assessed value is derived from property in Monterey County. The District operates two elementary schools and one high school, servicing students in grades kindergarten through twelve. The District's ADA for fiscal year 2022-23 is budgeted to be 232 students, per the District's Second Interim Budget Report, and the District has a 2022-23 total assessed valuation of $539,246,166. The District's audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX B.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Shandon Joint Unified School District, 101 South First Street, Box 79, Shandon, California 93461, Attention: Superintendent.

Administration

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

SHANDON JOINT UNIFIED SCHOOL DISTRICT
Board Of Trustees

Board Member	Office	Term Expires December
Marlene Thomason	President	2024
Nataly Ramirez	Clerk	2026
Jesse Cuellar	Trustee	2026
Jennifer Moe	Trustee	2026
Flint Speer	Trustee	2024

The Superintendent of the District is responsible for administering the day-to-day affairs of the District in accordance with the policies of the Board. A brief biography of the Superintendent follows:

Dr. Kristina Benson. Dr. Benson has served as Superintendent of the District since July 1, 2018. Dr. Benson is also the principal of Shandon High School. She has twenty years of experience in public education in a variety of roles including teacher, site director, assistant principal and principal. Prior to joining the District, Dr. Benson served as principal of Templeton Middle School. Dr. Benson received a bachelor's and graduate degree from California Polytechnic State University and a Doctorate in Education Leadership from California Lutheran University.

Labor Relations

The District employs approximately 18 full-time equivalent ("FTE") certificated employees, 21 FTE classified employees, and 6 FTE management, supervisor and confidential employees.

The certificated employees have assigned the Shandon Teachers' Association ("STA") as their exclusive bargaining agent and the contract between the District and STA expires on June 30, 2024.

The classified employees of the District have assigned the California School Employees Association, Chapter 225 ("CSEA") as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2024.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions and employer contributions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. For fiscal year 2022-23, the District is currently required by such statutes to contribute 19.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. On May 4, 2023, the Board of STRS approved an extension of the current employer contribution rate for fiscal year 2023-24 of 19.10%. The State also contributes to STRS, currently in an amount equal to 10.328% of teacher payroll for fiscal year 2022-23. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, over the three year period from 2014-15 through 2017-18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 by June 30, 2046, which is premised upon an actuarially assumed earnings rate of 7.00%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to AB 1469, school districts' employer contribution rates increased over a seven-year phase-in period beginning in fiscal year 2014-15 through fiscal year 2019-20 when employer contribution rates reached 16.15% (including certain reductions in the contribution rate for supplemental payments made by the State in fiscal years 2019-20 and 2020-21.)

Subsequent to the increases to the school district's contribution rates to STRS, AB 1469 requires that for fiscal year 2021-22 and each fiscal year thereafter, STRS adjust the school district's contribution rate to reflect the rate required to eliminate the unfunded liability by July 1, 2046. The 2020-21 State Budget applied certain funds in fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school district's then current obligations to STRS to reduce the school district's contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-22 from 17.9% to 16.02%.

The District contributed $262,751 to STRS for fiscal year 2018-19, $289,648 for fiscal year 2019-20, $267,759 for fiscal year 2020-21 and $308,237 for fiscal year 2021-22. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of $506,559 for fiscal year 2022-23, per its Second Interim Budget Report. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual 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 Law. The District is currently required to contribute to PERS at an actuarially determined rate, which is 25.37% of eligible salary expenditures for fiscal year 2022-23, while participants enrolled in PERS (prior to January 1, 2013) contribute 7% of their respective salaries, and those enrolled subsequent to January 1, 2013 contribute 8.00%. See –"California Public Employees' Pension Reform Act of 2013" below.

On April 19, 2017, the Board of Administration of PERS ("PERS Board") adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the PERS Board in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to an additional 5% of payroll for miscellaneous employees at the end of the five-year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board. See "DISTRICT FINANCIAL INFORMATION- State Funding of Education" herein.

On April 18, 2022, the PERS Board set the fiscal year 2022-23 employer contribution rate at 25.37%. The PERS Board also approved an increase in the employee contribution rate for members subject to the Reform Act (defined below) from 7.00% of earnings to 8.00% of earnings for fiscal year 2022-23. From the Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which is PERS' first negative return on investments since fiscal year 2008-09. The negative 7.5% net return on investments is less than the assumed annual rate of return on investments of 6.80%. Most recently, on April 17, 2023, the PERS

Board set the fiscal year 2023-24 employer contribution rate at 26.68% and maintained the employee contribution rate for members subject to the Reform Act (defined below) at 8.00%.

PERS estimates future employer contribution rates as follows:

Fiscal Year	Projected Employer Contribution Rates (PERS Actuarial Report)
2024-25	27.70%
2025-26	28.30
2026-27	28.70
2027-28	30.00
2028-29	29.80

The projected rates reflect the preliminary investment loss for fiscal year 2021-22 described above. Projected rates also reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers.

The District contributed $152,237 to PERS for fiscal year 2018-19, $158,964 for fiscal year 2019-20, $167,816 for fiscal year 2020-21 and $201,124 for fiscal year 2021-22, which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution of $213,941 to PERS for fiscal year 2022-23, per its Second Interim Budget Report.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2021.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation
(Dollar Amounts in Millions) (1)

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)(2)	$ 110,507	$ 86,519	$ (23,988)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	332,082	292,580	(60,136)

(1) Amounts may not add due to rounding.
(2) The PERS Actuarial Valuation as of June 30, 2022, which was presented in summary form on April 17, 2023, reported an actuarial accrued liability of approximately $117.0 billion with the market value of assets at approximately $79.4 billion, and an unfunded liability of approximately $37.6 billion.

Source*: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.*

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See " – California Public Employees' Pension Reform Act of 2013" below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2022, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
PERS	$1,150,938
STRS	1,340,035
Total	$2,490,973

Source*: The District.*

For further information about the District's contributions to PERS and STRS, see Note 8 in the District's audited financial statements for fiscal year ended June 30, 2022 attached hereto as APPENDIX B.

School districts' retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current or future financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District's contribution rates to PERS or STRS might increase in the future as a result of factors outside of its control including, but not limited to, any declines in the value of investments in response to financial market conditions and the impact of retirees living longer than actuarial assumptions.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The District does not provide retiree employment benefits other than pensions to current employees.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters.

The District participates in two joint ventures under joint powers agreements ("JPAs"): the Self-Insurance Program for Employees ("SIPE") and the Self-Insured Schools of California Insurance Group II ("SISC II"). The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for reporting purposes.

SIPE was established to provide the services and other items necessary and appropriate for the development, operation and maintenance of a self-insurance system for workers' compensation claims against the public education agencies who are members thereof. The participants consist of the Office of County Superintendent of Schools, school districts and a community college. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budget decisions.

SISC II arranges for and provides property and liability insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPAs. See also APPENDIX B – "SHANDON JOINT UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2022" – Note 12 hereto.

Cyber Security

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers recently approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks. The District is not aware of any major cybersecurity attack or breach of its systems during the last five years. To protect itself from cybersecurity attacks, the District utilizes firewalls, anti-virus and anti-malware software, and provides cybersecurity training to District employees. In addition, the District has an informal general technology use policy. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains a policy of cyber liability insurance. There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2022 is shown below:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable	$ 4,950,000	--	$ 115,000	$4,835,000	$80,000
Bond premium	321,671	--	12,795	308,876	12,795
Net pension liability	4,852,299	$703,227	3,064,553	2,490,973	--
Compensated absences payable	8,072	29,308	24,138	13,242	--
Total	$10,132,042	$732,535	$3,216,486	$7,648,091	$92,795

Source*: The District.*

General Obligation Bonds. Pursuant to an authorization of the registered voters within the District on November 8, 2016 for the issuance and sale of not to exceed $3,150,000 in general obligation bonds (the "2016 Authorization"), on May 3, 2017, the District issued its General Obligation Bonds, Election of 2016, Series A in the aggregate principal amount of $3,150,000. No further general obligation bonds remain available for issuance under the 2016 Authorization.

On November 3, 2020, the District received authorization from at least 55% of the registered voters in the District voting to approve the issuance of not to exceed $4,000,000 aggregate principal amount of general obligation bonds of the District (the "2020 Authorization"). On April 29, 2021, the District issued its General Obligation Bonds, 2020 Election, 2021 Series A in the aggregate principal amount of $2,060,000. The Bonds are the second series of general obligation bonds to be issued under the 2020 Authorization, subsequent to which no further aggregate principal amount of general obligation bonds will remain for issuance under the 2020 Authorization.

Short-Term Debt. As of June 30, 2022, the District did not have any short-term debt outstanding. The District does not expect to issue any tax and revenue anticipation notes in fiscal year 2022-23.

THE SAN LUIS OBISPO COUNTY POOLED INVESTMENT FUND

The San Luis Obispo County Investment Policy (the "Investment Policy") which governs investments in the San Luis Obispo County Pooled Investment Fund is prepared annually by the County Treasurer in accordance with the California Government Code and prudent asset management principles. Pursuant to Government Code sections 27133 and 53646, the Investment Policy is reviewed by the County Treasury Oversight Committee and approved by the Board of Supervisors at a public meeting. The 2023 Investment Policy was approved by the Board of Supervisors on December 13, 2022. The Investment Policy applies to the cash management and investment activities performed by the County for any local agency, public agency, public entity or public official that has funds on deposit in the County Treasury.

The Investment Policy requires that investments be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used is the "prudent investor" standard which states that "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 person 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. This standard is applied in the context of managing an overall portfolio. Investment objectives, in descending order of priority, are (i) safety of principal; (ii) liquidity and (iii) return on investment.

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A summary of the San Luis Obispo County Pooled Investment Fund for the three months ending March 31, 2023 is set forth below.

COUNTY OF SAN LUIS OBISPO POOLED INVESTMENT FUND
SUMMARY
For the three months ended March 31, 2023

	Purchase Price	Market Value
CalTrust	$ 69,773,365.59	$ 69,541,301.43
Federal Farm Credit Banks	294,624,744.68	291,312,199.46
Federal Home Loan Banks	283,304,396.84	273,056,976.45
Local Agency Investment Fund	65,000,000.00	65,000,000.00
Placement Service Deposits	60,000,000.00	60,000,000.00
Public Investment Money Market Account	150,000,000.00	150,000,000.00
Supranationals	273,294,048.07	257,518,775.60
Treasury Note	437,497,500.03	427,272,590.00
Total	$1,633,494,055.21	$1,592,825,014.33
Weighted Average Days to Maturity:	467	

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 9 months following the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2022-23 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Within the last five years, the District failed to timely file its first and second interim budget reports for the 2021-22 fiscal year. The District has since filed the reports and a notice of failure to file. The District has engaged Dale Scott & Company, Inc., to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and its outstanding continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, a form of which is attached hereto as APPENDIX A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter ("Underwriter's Counsel"). Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the 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 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 in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

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

California Senate Bill 222

Government Code Section 53515, added by 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.

TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, (2) will not be included in computing alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals, and (3) will be taken into account in determining adjusted financial statement income for the alternative minimum tax imposed on certain corporations The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion respecting the Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds

The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder's basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under "TAX MATTERS." Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the "Premium Bonds"), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as APPENDIX A.

LEGALITY FOR INVESTMENT

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

BANK QUALIFICATION

The District has designated the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

RATING

Moody's Investors Service ("Moody's") has assigned a municipal bond rating of "A2" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained as follows: Moody's 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553 0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has agreed to purchase the Bonds pursuant to the terms of a bond purchase agreement by and between the District and the Underwriter ("Purchase Agreement") at the purchase price of $2,152,317.75 (reflecting the principal amount of the Bonds plus an original issue premium in the amount of $251,117.75 less an Underwriter's discount of $38,800.00), at the rates and yields shown on the inside cover hereof.

The Purchase Agreement provides that the Underwriter will purchase all of the Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel. The Underwriter may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

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

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Shandon Joint Unified School District, 101 South First Street, Box 79, Shandon, California 93461.

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 be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

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

SHANDON JOINT UNIFIED SCHOOL DISTRICT

By: /S/ Kristina Benson, Ed.D.
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

May 31, 2023

Board of Trustees
Shandon Joint Unified School District
101 South First Street, Box 79
Shandon, California 93461

Re: $1,940,000 Shandon Joint Unified School District (Counties of San Luis Obispo and Monterey, California) General Obligation Bonds, 2020 Election, 2023 Series B (Bank Qualified)

Members of the Board:

We have acted as bond counsel for the Shandon Joint Unified School District (Counties of San Luis Obispo and Monterey, California) (the "District"), in connection with the issuance by the District of $1,940,000 aggregate principal amount of the District's General Obligation Bonds, 2020 Election, 2023 Series B (Bank Qualified) (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Trustees of the District on April 18, 2023 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District, Monterey County and San Luis Obispo County (together, the "Counties) as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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 or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District.

2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.

3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

4. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

5. Interest on the Bonds is exempt from personal income taxes of the State of California.

Bondholders should note that interest on the Bonds is not a preference item for purposes of the alternative minimum tax imposed on individuals but is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. Ownership of tax-exempt obligations such as the Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner’s other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Dannis Woliver Kelley

APPENDIX B

SHANDON JOINT UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2022

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SHANDON JOINT UNIFIED SCHOOL DISTRICT
COUNTY OF SAN LUIS OBISPO
SHANDON, CALIFORNIA

AUDIT REPORT
June 30, 2022

SHANDON JOINT UNIFIED SCHOOL DISTRICT
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JUNE 30, 2022

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FINANCIAL SECTION

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Shandon Joint Unified School District
Shandon, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shandon Joint Unified School District, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Shandon Joint Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Shandon Joint Unified School District, as of June 30, 2022, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2021-2022 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting,* prescribed by Title 5, *California Code of Regulations,* Section 19810. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Shandon Joint Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

2400 Professional Parkway, Suite 205 Santa Maria, CA 93455 Tel 805.925.2579 Fax 805.925.2147 mlhcpas.com
BEVERLY HILLS · CULVER CITY · SANTA MARIA

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary information on page 29, the schedule of proportionate share of net pension liability on pages 30 and 31, and the schedule of pension contributions on pages 32 and 33, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Shandon Joint Unified School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Shandon Joint Unified School District.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administration Requirement for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements of the Shandon Joint Unified School District.

The supplementary information listed in the table of content are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 December 15, 2022, on our consideration of the Shandon Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 15, 2022

SHANDON JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets	
Cash in county treasury	$ 6,876,762
Revolving cash fund	1,500
Cash on hand and in banks	49,516
Accounts receivable	1,318,727
Land	15,422
Construction in progress	196,794
Buildings and improvements	4,835,962
Equipment	1,032,956
Less accumulated depreciation	(3,786,294)
Total assets	10,541,345
Deferred Outflows of Resources	
Pensions	1,211,221
Total deferred outflows of resources	1,211,221
Liabilities	
Accounts payable	3,932,869
Unearned revenue	124,979
Interest payable	75,909
Long-term liabilities:	
Due within one year:	
Bond premium	12,795
General obligation bonds payable	80,000
Total due within one year	4,226,552
Due after one year:	
Compensated absences payable	13,242
General obligation bonds payable	4,755,000
Bond premium	296,081
Net pension liability	2,490,973
Total due after one year	7,555,296
Total liabilities	11,781,848
Deferred Inflows of Resources	
Pensions	2,120,363
Total deferred inflows of resources	2,120,363
Net Position	
Net investment in capital assets	(1,085,620)
Restricted for:	
Educational programs	469,953
Child nutrition	54,211
Capital projects	151,742
Debt service	479,829
Associated Student Body	49,516
Unrestricted	(2,269,276)
Total net position	$ (2,149,645)

The accompanying notes are an integral part of this statement.

SHANDON JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITES

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	$ 2,555,260	$ 11,755	$ 833,158	$ -	$ (1,710,347)
Instruction-related services:					
Instructional library, media, and technology	60,696				(60,696)
School site administration	472,702		2,602		(470,100)
Pupil services:					
Home to school transportation	209,205	145	10,506		(198,554)
Food services	218,979	645	283,951		65,617
All other pupil services	306,643	1,585	127,016		(178,042)
General administration:					
Centralized data processing	31,000				(31,000)
All other general administration	619,380	839	341,327		(277,214)
Plant services	520,585	31	46,070		(474,484)
Ancillary services	50,762				(50,762)
Community services	45,000				(45,000)
Interest on long-term debt	170,436				(170,436)
Other outgo	129,498	23,984	100,434		(5,080)
Depreciation (unallocated)	223,804				(223,804)
Total governmental activities	$ 5,613,950	$ 38,984	$ 1,745,064	$ -	(3,829,902)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	2,468,864
Taxes levied for debt service	316,268
Federal and state aid not restricted to specific purposes	1,504,012
Interest and investment earnings	(167,718)
Miscellaneous	95,486
Total general revenues	4,216,912
Change in net position	387,010
Net position, beginning of fiscal year	(2,536,655)
Net position, end of fiscal year	$ (2,149,645)

The accompanying notes are an integral part of this statement.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 4,386,151	$ 1,783,131	$ 707,480	$ 6,876,762
Cash on Hand and in Banks	-	-	49,516	49,516
Cash in Revolving Fund	1,500	-	-	1,500
Accounts Receivable	1,274,606	-	44,121	1,318,727
Due from Other Funds	15,507	-	-	15,507
Total Assets	$ 5,677,764	$ 1,783,131	$ 801,117	$ 8,262,012
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	$ 3,913,116	$ 19,715	$ 38	$ 3,932,869
Due to Other Funds	-	-	15,507	15,507
Unearned Revenue	124,569	-	410	124,979
Total Liabilities	4,037,685	19,715	15,955	4,073,355
Fund Balances:				
Nonspendable	1,500	-	-	1,500
Restricted	495,998	1,763,416	785,162	3,044,576
Assigned	113,480	-	-	113,480
Unassigned	1,029,101	-	-	1,029,101
Total Fund Balances	1,640,079	1,763,416	785,162	4,188,657
Total Liabilities and Fund Balances	$ 5,677,764	$ 1,783,131	$ 801,117	$ 8,262,012

The accompanying notes are an integral part of this statement.

SHANDON JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances - governmental funds			$ 4,188,657
In governmental funds, only current assets are reported. In the statement of net position all assets are reported, including capital assets and accumulated depreciation.			
Capital assets at historical cost		$ 6,081,134	
Accumulated depreciation		3,786,294	
	Net		2,294,840
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
Compensated absences payable		$ 13,242	
General obligation bonds payable		4,835,000	
Unamortized bond premium		308,876	
Net pension liability		2,490,973	(7,648,091)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
Deferred inflows of resources relating to pension		$ (2,120,363)	
Deferred outflows of resources relating to pension		1,211,221	(909,142)
In governmental funds, interest on long-term debt is recognized until the period in which it matures and is paid. In the government-wide statement of net position, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(75,909)
Total net position - governmental activities			$ (2,149,645)

The accompanying notes are an integral part of this statement.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,466,839	$ -	$ -	$ 1,466,839
Education Protection Account Funds	54,380	-	-	54,380
Local Sources	2,468,865	-	-	2,468,865
Federal Revenue	727,748	-	222,903	950,651
Other State Revenue	747,303	-	29,257	776,560
Other Local Revenue	235,468	(47,576)	402,679	590,571
Total Revenues	5,700,603	(47,576)	654,839	6,307,866
Expenditures:				
Current:				
Instruction	3,004,629	-	-	3,004,629
Instruction - Related Services	623,701	-	-	623,701
Pupil Services	539,245	-	214,447	753,692
Ancillary Services	52,941	-	48,046	100,987
Community Services	45,000	-	-	45,000
General Administration	671,351	-	-	671,351
Plant Services	552,355	(8,129)	9,293	553,519
Other Outgo	129,498	-	-	129,498
Capital Outlay	7,526	80,355	-	87,881
Debt Service:				
Principal	-	-	115,000	115,000
Interest	-	-	175,116	175,116
Total Expenditures	5,626,246	72,226	561,902	6,260,374
Net Change in Fund Balances	74,357	(119,802)	92,937	47,492
Fund Balances, July 1	1,565,722	1,883,218	692,225	4,141,165
Fund Balances, June 30	$ 1,640,079	$ 1,763,416	$ 785,162	$ 4,188,657

The accompanying notes are an integral part of this statement.

SHANDON JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds	$ 47,492
Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense $(223,804) is greater than additions to capital assets of $87,881 in the period.	(135,923)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	(8,115)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by $5,170.	(5,170)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	360,931
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:	12,795
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures of repayment of the principal portion of long-term debt were:	115,000
Change in net position - governmental activities	$ 387,010

The accompanying notes are an integral part of this statement.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The reporting entity is the Shandon Joint Unified School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80 and GASB Statement No. 90.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. Government-wide financial statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds.

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

Fund Financial Statements:

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

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

D. Basis of Accounting

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within one year after fiscal year end.

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

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

Pensions:

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

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

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

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Governmental Funds:

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 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. The District maintains two nonmajor special revenue funds:

1. The Associated Student Body Fund is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

2. The Cafeteria Fund is used to account for revenues and expenditures to operate the District's cafeteria.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains one nonmajor debt service fund.

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District Bonds, interest, and related costs.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental capital assets. The District maintains one nonmajor capital projects fund:

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

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

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

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Deposits and Investments

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

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

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

Information regarding the amount of dollars invested in derivatives with the San Luis Obispo County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Prepaid Items

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period benefitted.

4. Amortization of Bond Premium

The bond premium is being amortized on the straight line method over the life of the bonds on the government-wide statements.

5. Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of a capital asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

5. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life in Years
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

6. Unearned Revenue

Cash is received for federal and state special projects and programs and is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

7. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 8 for a detailed list of the deferred inflows of revenues the District has recognized.

8. Compensated Absences

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

10. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

11. Property Taxes

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately on October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 2 — CASH AND INVESTMENTS

The District's cash and investments at June 30, 2022 consisted of the following:

Cash on hand and in banks	$ 51,016
Cash and investments with the County Treasurer	6,876,762
Total cash and investments	$ 6,927,778

NOTE 2 — CASH AND INVESTMENTS (Continued)

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in County Treasury, statement of net position	$ 6,876,762
Cash in revolving fund, statement of net position	1,500
Cash on hand and in banks, statement of net position	49,516
Total cash and investments	$ 6,927,778

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the San Luis Obispo County Investment Pool and this external pool is measured under Level 2.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Luis Obispo County Treasury as part of the common investment pool ($6,876,762 as of June 30, 2022). The fair value of this pool as of that date, as provided by the plan sponsor, was $6,876,762. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks ($49,516 as of June 30, 2022) and in the revolving fund ($1,500) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of San Luis Obispo. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
San Luis Obispo County Investment Pool	$ 6,876,762	$ 6,876,762	$ -	$ -	$ -
Total	$ 6,876,762	$ 6,876,762	$ -	$ -	$ -

NOTE 2 — CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End AAA	Aa	Not Rated
San Luis Obispo County Investment Pool	$6,876,762	N/A	$ -	$ -	$ -	$6,876,762
Total	$6,876,762		$ -	$ -	$ -	$6,876,762

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as San Luis Obispo County Investment Pool).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds, are as follows:

Fund	Excess Expenditures
Nonmajor Fund:	
Associated Student Body Fund	
Books and Supplies	$ 16,488
Cafeteria Fund	
Books and Supplies	$ 242
Bond Interest and Redemption Fund	
Interest	$ 45,241

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022, consist of the following:

	General Fund	Building Fund	Other Governmental Funds
Federal Government:			
Federal programs	$ 407,681	$ -	$ 41,684
State Government:			
LCFF	819,625		
Categorical aid programs			2,437
Lottery	5,470		
Local Sources:			
Cuesta grant	1,000		
E-rate	24,960		
Miscellaneous	15,870		
Totals	$ 1,274,606	$ -	$ 44,121

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	$ 15,422	$ -	$ -	$ 15,422
Construction in progress	116,439	80,355		196,794
Total capital assets, not being depreciated	$ 131,861	$ 80,355	$ -	$ 212,216
Capital assets, being depreciated:				
Buildings and improvements	$ 4,835,962	$ -	$ -	$ 4,835,962
Equipment	1,025,430	7,526		1,032,956
Total capital assets, being depreciated	5,861,392	7,526		5,868,918
Less accumulated depreciation for:				
Buildings and improvements	2,899,689	147,898		3,047,587
Equipment	662,801	75,906		738,707
Total accumulated depreciation	3,562,490	223,804		3,786,294
Total capital assets, being depreciated	$ 2,298,902	$ (216,278)	$ -	$ 2,082,624
Governmental activities, capital assets, net	$ 2,430,763	$ (135,923)	$ -	$ 2,294,840

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities:	
Unallocated	
Total depreciation expense	$ 223,804
	$ 223,804

NOTE 6 – INTERFUND TRANSACTIONS

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

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2022, are as follows:

Fund	Interfund Receivables	Interfund Payables
Major Fund:		
General Fund	$ 15,507	$ -
Nonmajor Fund:		
Cafeteria Fund		15,507
	$ 15,507	$ 15,507

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the Shandon Joint Unified School District at June 30, 2022, is:

Date Of Issue	Interest Rate %	Maturity Date	Amount Of Original Issue	Outstanding July 1, 2021	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2022
2017	4.0% - 8.0%	2046	$ 3,150,000	$2,890,000	$ -	$ 115,000	$ 2,775,000
2021	2.125% - 5.0%	2047	2,060,000	2,060,000			2,060,000
			$ 5,210,000	$4,950,000	$ -	$ 115,000	$ 4,835,000

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 80,000	$ 182,275	$ 262,275
2024	80,000	177,900	257,900
2025	40,000	174,375	214,375
2026	35,000	171,825	206,825
2027	55,000	168,750	223,750
2028-2032	480,000	764,119	1,244,119
2033-2037	760,000	620,562	1,380,562
2038-2042	1,235,000	453,736	1,688,736
2043-2047	1,870,000	194,442	2,064,442
2048	200,000	2,500	202,500
	$ 4,835,000	$ 2,910,484	$ 7,745,484

NOTE 8 – PENSION PLANS

State Teachers' Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – All qualified California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system are eligible to participate in the CalSTRS Pension Plans, multiple-employer, cost-sharing defined benefit plans administered by the California State Teacher's Retirement System (CalSTRS). Benefit provisions under the Plans are established by the Teachers' Retirement Law (California Education Code Section 22000 et seq), as enacted and amended by the California Legislature. The benefit terms of the plans may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

Benefits Provided – The CALSTRS Defined Benefit Program has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50.0 percent of final compensation plus 10.0 percent of final compensation for each eligible child, up to a maximum addition of 40.0 percent. The member must have a disability that will exceed a period of 12 or more months to qualify for benefit.

Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit. Other compensation, such as allowances, bonuses, cash in-lieu of fringe benefits, limited-period compensation or compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contributions rates	10.25%	10.205%
Required employer contribution rates	16.92%	16.92%
Required state contributions rates	10.828%	10.828%

Specific details for the retirement, disability or death benefit calculations for each of the pension plans are available in the CalSTRS Annual Comprehensive Annual Financial Report (ACFR). The CalSTRS' ACFR is available online at http://www.calstrs.com/comprehensive-annual-financial-report.

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

On-Behalf Payments – The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions to CalSTRS.

NOTE 8 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

A. General Information about the Pension Plan (Continued)

For the fiscal year ended June 30, 2022, the contributions recognized as part of pension expense were as follows:

Contribution-employer	$	267,759
Contribution-state	$	189,386

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

As of June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 1,340,035
State's proportionate share of the net pension liability associated with the District	813,625
Total	$ 2,153,660

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .0029%, which decreased by .0003% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of $(92,181). At June 30, 2022, 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
Difference between expected and actual experience	$ 3,357	$ 142,632
Changes of assumptions	189,800	
Net difference between projected and actual earning on pension plan investments		1,060,051
Changes in proportion and differences between District contributions and proportionate share of contributions	442,594	404,058
District contributions subsequent to the measurement date	308,237	
Total	$ 943,988	$ 1,606,741

NOTE 8 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

$308,237 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2023	$ (211,460)
2024	(154,211)
2025	(235,359)
2026	(319,623)
2027	(4,207)
2028	(46,130)
	$ (970,990)

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry age normal
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. In January 31, 2020, the CalSTRS' retirement board changed the mortality assumptions based on the July 1, 2015 through June 30, 2018 Experience Analysis. The projection scale was set to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries. For further details, see CalSTRS July 1, 2015 through June 30, 2018 Experience Analysis on the CalSTRS website.

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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on January 31, 2020, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

NOTE 8 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	42 %	4.80 %
Private Equity	13 %	6.30 %
Real Estate	15 %	3.60 %
Inflation Sensitive	6 %	3.30 %
Fixed Income	12 %	1.30 %
Cash/Liquidity	2 %	-0.40 %
Absolute Return	10 %	1.80 %
	100 %	

*10 year geometric average

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

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

1% Decrease	6.10%
Net Pension Liability	$ 2,727,832
Current Discount Rate	7.10%
Net Pension Liability	$ 1,340,035
1% Increase	8.10%
Net Pension Liability	$ 188,190

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

C. Payable to the Pension Plan

At June 30, 2022, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2022.

NOTE 8 – PENSION PLANS (Continued)

California Public Employee Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - The Shandon Joint Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Benefits Provided – The CalPERS Defined Benefit Program has two benefit formulas:

CalPERS 2% at 55: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalPERS

CalPERS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalPERS

The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

A family benefit is available if an active member dies and has at least one year of credited service.

Members' accumulated contributions are refundable with interest upon separation from CalPERS. The board determines the credited interest rate each fiscal year.

The member's benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalPERS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17% to 2.5%	1.00% to 2.5%
Required employee contribution rates	7%	7%
Required employer contribution rates	22.91%	22.91%

Specific details for retirement, disability or death benefit calculations for each of the pension plans are available in the CalPERS' Annual Comprehensive Financial Report (ACFR). The CalPERS' ACFR is available online at https://www.calpers.ca.gov/page/forms-publications.

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

NOTE 8 – PENSION PLANS (Continued)

California Public Employee Retirement System (CalPERS) (Continued)

A. General Information About the Pension Plan (Continued)

For the year ended June 30, 2022, the contributions recognized as part of pension expense was as follows:

Contribution-employer	$ 168,229

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

As of June 30, 2022, the District reported net pension liability for its proportionate shares of the net pension liability of $1,150,938.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .0057%, which increased by .0001% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of $123,090. At June 30, 2022, 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
Difference between expected and actual experience	$ 34,359	$ 2,713
Changes of assumptions		
Net difference between projected and actual earning on pension plan investments		441,696
Changes in proportion and differences between District contributions and proportionate share of contributions	31,750	69,213
District contributions subsequent to the measurement date	201,124	
Total	$ 267,233	$ 513,622

$201,124 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2023	$ (101,631)
2024	(119,718)
2025	(103,320)
2026	(122,844)
	$ (447,513)

NOTE 8 – PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies
Post-retirement Benefit Increases	Up to 2.00% until purchasing power protection Allowance flows purchasing power applies, 2.75% thereafter

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF B), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF B. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed February 2022. Any changes to the discount rate will require Board action and proper stockholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until it has changed it's methodology.

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

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

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

Asset Class	New Strategic Allocation	Expected Real Rate of Return Years 1-10(a)	Expected Real Rate of Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) An expected inflation of 2.00% was used for this period
(b) An expected inflation of 2.92% was used for this period

NOTE 8 – PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

1% Decrease	6.15%
Net Pension Liability	$ 1,940,643
Current Discount Rate	7.15%
Net Pension Liability	$ 1,150,938
1% Increase	8.15%
Net Pension Liability	$ 495,313

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

C. Payable to the Pension Plan

At June 30, 2022, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2022.

NOTE 9 – LONG-TERM LIABILITIES –SCHEDULE OF CHANGES

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within one year
Bonds payable	$ 4,950,000	$ -	$ 115,000	$ 4,835,000	$ 80,000
Bond premium	321,671		12,795	308,876	12,795
Net pension liability	4,852,299	703,227	3,064,553	2,490,973	
Compensated absences payable	8,072	29,308	24,138	13,242	
	$10,132,042	$ 732,535	$ 3,216,486	$ 7,648,091	$ 92,795

NOTE 10 – NET POSITION

The government-wide and fiduciary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the District, not restricted for any project or other purpose.

NOTE 11 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	$ 1,500	$ -	$ -	$ 1,500
Restricted				
Lottery: instructional materials	24,431			24,431
Special education	51,853			51,853
A-G Access/Success Grant	56,250			56,250
A-G Learning Loss Mitigation Grant	56,250			56,250
Professional development block grant	1,566			1,566
Expanded Learning Opportunities Program	140,409			140,409
Educator Effectiveness	82,772			82,772
Child nutrition	26,045		28,166	54,211
Expanded Learning Opportunities Grant	23,447			23,447
Low-performing students block grant	764			764
Other local	32,211			32,211
Debt service			555,738	555,738
Capital projects		1,763,416	151,742	1,915,158
ASB			49,516	49,516
Assigned				
Monterey County property taxes	13,480			13,480
Special education	100,000			100,000
Unassigned	1,029,101			1,029,101
Total	$ 1,640,079	$ 1,763,416	$ 785,162	$ 4,188,657

NOTE 12 – JOINT VENTURES (Joint Powers Agreements)

The Shandon Joint Unified School District participates in two joint ventures under joint powers agreements (JPAs); the Self-Insurance Program for Employees and the Self-Insured Schools of California II. The relationship between the Shandon Joint Unified School District and the JPAs are such that none of the JPAs is a component unit of the Shandon Joint Unified School District for financial reporting purposes.

Self-Insurance Program for Employees (S.I.P.E.) — The S.I.P.E. was established to provide the services and other items necessary and appropriate for the development, operation, and maintenance of self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budgeting decisions.

Self-Insured Schools of California II (S.I.S.C.II) – S.I.S.C. II arranges for and provides property and liability insurance for its member school districts. The Shandon Joint Unified School District pays a premium commensurate with the level of coverage requested.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

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

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

REQUIRED SUPPLEMENTARY INFORMATION

SHANDON JOINT UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,533,349	$ 1,466,839	$ 1,466,839	$ -
Education Protection Account Funds	54,696	54,380	54,380	-
Local Sources	2,392,100	2,468,615	2,468,865	250
Federal Revenue	146,879	730,815	727,748	(3,067)
Other State Revenue	281,846	672,309	747,303	74,994
Other Local Revenue	256,845	235,468	235,468	-
Total Revenues	4,665,715	5,628,426	5,700,603	72,177
Expenditures:				
Current:				
Certificated Salaries	1,758,862	1,933,049	1,929,994	3,055
Classified Salaries	769,678	866,353	866,353	-
Employee Benefits	1,257,595	1,156,503	1,223,196	(66,693)
Books And Supplies	232,465	387,832	389,955	(2,123)
Services And Other Operating Expenditures	649,911	1,207,100	1,079,724	127,376
Other Outgo	205,789	129,498	129,498	-
Capital Outlay	-	7,526	7,526	-
Total Expenditures	4,874,300	5,687,861	5,626,246	61,615
Excess (Deficiency) of Revenues Over (Under) Expenditures	(208,585)	(59,435)	74,357	133,792
Other Financing Sources (Uses):				
Transfers Out	(59,570)	-	-	-
Total Other Financing Sources (Uses)	(59,570)	-	-	-
Net Change in Fund Balance	(268,155)	(59,435)	74,357	133,792
Fund Balance, July 1	1,565,722	1,565,722	1,565,722	-
Fund Balance, June 30	$ 1,297,567	$ 1,506,287	$ 1,640,079	$ 133,792

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2022

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	2022	2021	2020	2019	2018
Proportion of the net pension liability	.0057 %	.0056 %	.0061 %	.0059 %	.0055 %
Proportionate share of the net pension liability	$ 1,150,938	$ 1,708,461	$ 1,772,512	$ 1,566,782	$ 1,318,028
Covered payroll	$ 810,705	$ 806,065	$ 842,858	$ 797,585	$ 701,591
Proportionate share of the net pension liability as percentage of covered payroll	141.97 %	211.95 %	210.30 %	196.44 %	187.86 %
Plan's total pension liability	$ 106,857,487,903	$ 102,289,672,089	$ 97,300,991,939	$ 91,459,283,785	$ 84,871,025,628
Plan's fiduciary net position	$ 86,523,055,855	$ 71,606,596,106	$ 68,156,740,617	$ 64,796,135,561	$ 60,998,386,333
Plan fiduciary net position as a percentage of the total pension liability	80.97 %	70.00 %	70.05 %	70.85 %	71.87 %

	2017	2016	2015
Proportion of the net pension liability	.0064 %	.0060 %	.0060 %
Proportionate share of the net pension liability	$ 1,257,133	$ 889,149	$ 676,261
Covered payroll	$ 774,339	$ 667,819	$ 629,864
Proportionate share of the net pension liability as percentage of covered payroll	162.35 %	133.14 %	107.37 %
Plan's total pension liability	$ 75,663,026,434	$ 71,651,164,353	$ 68,292,799,349
Plan's fiduciary net position	$ 55,912,964,588	$ 56,911,065,643	$ 56,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	73.90 %	79.43 %	83.38 %

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

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2022

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	2022	2021	2020	2019	2018
Proportion of the net pension liability	.0029 %	.0032 %	.0029 %	.0030 %	.0026 %
Proportionate share of the net pension liability	$ 1,340,035	$ 3,143,838	$ 2,605,218	$ 2,770,260	$ 2,411,737
State's proportionate share of net pension liability associated with the District	813,625	1,962,691	2,609,904	1,388,284	1,806,212
Total	$ 2,153,660	$ 5,106,529	$ 5,215,122	$ 4,158,544	$ 4,217,949
Covered payroll	$ 1,657,950	$ 1,693,848	$ 1,613,950	$ 1,541,538	$ 1,459,086
Proportionate share of the net pension liability as percentage of covered payroll	80.82 %	185.60 %	161.42 %	179.71 %	165.29 %
Plan's total pension liability	$ 355,802,665,000	$ 343,894,793,000	$ 329,179,470,000	$ 316,777,450,000	$ 302,770,146,000
Plan's fiduciary net position	$ 310,293,452,995	$ 246,983,743,995	$ 238,851,887,995	$ 224,868,634,995	$ 210,289,899,995
Plan fiduciary net position as a percentage of the total pension liability	87.21 %	71.82 %	72.56 %	70.99 %	69.46 %

	2017	2016	2015
Proportion of the net pension liability	.0029 %	.0033 %	.0030 %
Proportionate share of the net pension liability	$ 2,337,079	$ 2,219,638	$ 1,708,378
State's proportionate share of net pension liability associated with the District	1,474,820	1,451,776	1,257,440
Total	$ 3,811,899	$ 3,671,414	$ 2,965,818
Covered payroll	$ 1,431,445	$ 1,530,270	$ 1,368,388
Proportionate share of the net pension liability as percentage of covered payroll	163.27 %	145.05 %	124.85 %
Plan's total pension liability	$ 269,994,690,000	$ 259,146,248,000	$ 248,910,844,000
Plan's fiduciary net position	$ 189,113,486,995	$ 191,822,335,995	$ 190,474,016,000
Plan fiduciary net position as a percentage of the total pension liability	70.04 %	74.02 %	76.52 %

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

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2022

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	2022	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	$ 201,124	$ 167,816	$ 158,964	$ 152,237	$ 123,873
Contribution in relation to the actuarially determined contributions	(201,124)	(167,816)	(158,964)	(152,237)	(123,873)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 877,887	$ 810,705	$ 806,065	$ 842,858	$ 797,585
Contributions as a percentage of covered payroll	22.910 %	20.700 %	19.721 %	18.062 %	15.531 %

	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 97,437	$ 91,736	$ 77,670
Contribution in relation to the actuarially determined contributions	(97,437)	(91,736)	(77,670)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 701,591	$ 774,339	$ 659,842
Contributions as a percentage of covered payroll	13.888 %	11.847 %	11.771 %

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

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2022

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	2022	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	$ 308,237	$ 267,759	$ 289,648	$ 262,751	$ 222,444
Contribution in relation to the actuarially determined contributions	(308,237)	(267,759)	(289,648)	(262,751)	(222,444)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,821,732	$ 1,657,950	$ 1,693,848	$ 1,613,950	$ 1,541,538
Contributions as a percentage of covered payroll	16.92 %	16.15 %	17.10 %	16.28 %	14.43 %

	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 183,553	$ 153,594	$ 135,089
Contribution in relation to the actuarially determined contributions	(183,553)	(153,594)	(135,089)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 1,459,086	$ 1,431,445	$ 1,521,273
Contributions as a percentage of covered payroll	12.58 %	10.73 %	8.88 %

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

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SUPPLEMENTARY INFORMATION SECTION

SHANDON JOINT UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	$ -	$ 555,738	$ 151,742	$ 707,480
Cash on Hand and in Banks	49,516	-	-	49,516
Accounts Receivable	44,121	-	-	44,121
Total Assets	$ 93,637	$ 555,738	$ 151,742	$ 801,117
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	$ 38	$ -	$ -	$ 38
Due to Other Funds	15,507	-	-	15,507
Unearned Revenue	410	-	-	410
Total Liabilities	15,955	-	-	15,955
Fund Balances:				
Restricted	77,682	555,738	151,742	785,162
Total Fund Balances	77,682	555,738	151,742	785,162
Total Liabilities and Fund Balances	$ 93,637	$ 555,738	$ 151,742	$ 801,117

SHANDON JOINT UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

		Debt Service Fund	Capital Projects Fund	
	Special Revenue Funds	Bond Interest & Redemption Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Revenues:				
Federal Revenue	$ 222,903	$ -	$ -	$ 222,903
Other State Revenue	28,407	850	-	29,257
Other Local Revenue	66,601	317,857	18,221	402,679
Total Revenues	317,911	318,707	18,221	654,839
Expenditures:				
Current:				
Pupil Services	214,447	-	-	214,447
Ancillary Services	48,046	-	-	48,046
Plant Services	9,293	-	-	9,293
Debt Service:				
Principal	-	115,000	-	115,000
Interest	-	175,116	-	175,116
Total Expenditures	271,786	290,116	-	561,902
Net Change in Fund Balances	46,125	28,591	18,221	92,937
Fund Balances, July 1	31,557	527,147	133,521	692,225
Fund Balances, June 30	$ 77,682	$ 555,738	$ 151,742	$ 785,162

SHANDON JOINT UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022

	Associated Student Body Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash on Hand and in Banks	$ 49,516	$ -	$ 49,516
Accounts Receivable	-	44,121	44,121
Total Assets	$ 49,516	$ 44,121	$ 93,637
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	$ -	$ 38	$ 38
Due to Other Funds	-	15,507	15,507
Unearned Revenue	-	410	410
Total Liabilities	-	15,955	15,955
Fund Balances:			
Restricted	49,516	28,166	77,682
Total Fund Balances	49,516	28,166	77,682
Total Liabilities and Fund Balances	$ 49,516	$ 44,121	$ 93,637

SHANDON JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Associated Student Body Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	$ -	$ 222,903	$ 222,903
Other State Revenue	-	28,407	28,407
Other Local Revenue	66,004	597	66,601
Total Revenues	66,004	251,907	317,911
Expenditures:			
Current:			
Pupil Services	-	214,447	214,447
Ancillary Services	48,046	-	48,046
Plant Services	-	9,293	9,293
Total Expenditures	48,046	223,740	271,786
Net Change in Fund Balances	17,958	28,167	46,125
Fund Balances, July 1	31,558	(1)	31,557
Fund Balances, June 30	$ 49,516	$ 28,166	$ 77,682

SHANDON JOINT UNIFIED SCHOOL DISTRICT
ASSOCIATED STUDENT BODY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ -	$ 66,004	$ 66,004
Total Revenues	-	66,004	66,004
Expenditures:			
Current:			
Books And Supplies	31,558	48,046	(16,488)
Total Expenditures	31,558	48,046	(16,488)
Net Change in Fund Balance	(31,558)	17,958	49,516
Fund Balance, July 1	31,558	31,558	-
Fund Balance, June 30	$ -	$ 49,516	$ 49,516

SHANDON JOINT UNIFIED SCHOOL DISTRICT

CAFETERIA FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	$ 222,903	$ 222,903	$ -
Other State Revenue	28,165	28,407	242
Other Local Revenue	597	597	-
Total Revenues	251,665	251,907	242
Expenditures:			
Current:			
Classified Salaries	87,669	87,669	-
Employee Benefits	52,664	52,664	-
Books And Supplies	77,417	77,659	(242)
Services And Other Operating Expenditures	5,748	5,748	-
Total Expenditures	223,498	223,740	(242)
Net Change in Fund Balance	28,167	28,167	-
Fund Balance, July 1	(1)	(1)	-
Fund Balance, June 30	$ 28,166	$ 28,166	$ -

SHANDON JOINT UNIFIED SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 852	$ 850	$ (2)
Other Local Revenue	321,451	317,857	(3,594)
Total Revenues	322,303	318,707	(3,596)
Expenditures:			
Debt Service:			
Principal	115,000	115,000	-
Interest	129,875	175,116	(45,241)
Total Expenditures	244,875	290,116	(45,241)
Net Change in Fund Balance	77,428	28,591	(48,837)
Fund Balance, July 1	527,147	527,147	-
Fund Balance, June 30	$ 604,575	$ 555,738	$ (48,837)

SHANDON JOINT UNIFIED SCHOOL DISTRICT
CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 18,221	$ 18,221	$ -
Total Revenues	18,221	18,221	-
Expenditures:			
Total Expenditures	-	-	-
Net Change in Fund Balance	18,221	18,221	-
Fund Balance, July 1	133,521	133,521	-
Fund Balance, June 30	$ 151,742	$ 151,742	$ -

SHANDON JOINT UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2022

The Shandon Joint Unified School District was established in 1950, and is located in the northeastern section of San Luis Obispo County. There were no changes in the boundaries of the District during the current fiscal year. The District operates two elementary schools and one high school, serving students in grades kindergarten through twelve.

GOVERNING BOARD

Name	Office	Term Expires
Marlene Thomason	President	2024
Nataly Ramirez	Clerk	2022
Jesse Cuellar	Member	2022
Flint Speer	Member	2024
Jennifer Moe	Member	2022

ADMINISTRATION

Kristina Benson
Superintendent

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Second Period Report	Annual Report
Elementary		
Kindergarten through three	61.18	61.08
Grades four through six	55.62	55.84
Grades seven and eight	48.98	49.16
Elementary totals	165.78	166.08
Secondary		
Regular classes	82.34	82.39
Secondary totals	82.34	82.39
ADA totals	248.12	248.47

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

There were no audit findings which resulted in necessary revisions to attendance.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Grade Level	Ed. Code 46207 Minutes Requirement	2021-22 Actual Minutes	J-13* Credited Minutes	Total 2021-22 Minutes	Actual Number of days Traditional Calendar	J-13* Credited Days	Total Days	Status
Kindergarten	36,000	57,285	1,670	58,955	175	5	180	Not in compliance
Grade 1	50,400	54,460	1,580	56,040	175	5	180	Not in compliance
Grade 2	50,400	54,460	1,580	56,040	175	5	180	Not in compliance
Grade 3	50,400	53,795	1,560	55,355	175	5	180	Not in compliance
Grade 4	54,000	53,795	1,560	55,355	175	5	180	Not in compliance
Grade 5	54,000	53,795	1,560	55,355	175	5	180	Not in compliance
Grade 6	54,000	54,480	1,775	56,255	175	5	180	Not in compliance
Grade 7	54,000	61,825	1,775	63,600	175	5	180	Not in compliance
Grade 8	54,000	61,825	1,775	63,600	175	5	180	Not in compliance
Grade 9	64,800	63,385	1,820	65,205	175	5	180	Not in compliance
Grade 10	64,800	63,385	1,820	65,205	175	5	180	Not in compliance
Grade 11	64,800	63,385	1,820	65,205	175	5	180	Not in compliance
Grade 12	64,800	63,385	1,820	65,205	175	5	180	Not in compliance

Districts must maintain their instructional minutes at the Education Code Section 46207 minutes requirement.

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District met or exceeded its targeted funding.

*The District has not received the approval of the J-13A waiver. Without the approval, the District has not officially received credit for the school closure and thus are not in compliance. See Finding 2022-002 for details.

SHANDON JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

General Fund	2023 (budget) (note 2)	2022	2021	2020
Revenues and other financial sources	$ 4,789,626	$ 5,700,603	$ 6,247,865	$ 7,581,961
Expenditures	5,096,910	5,626,246	8,364,691	4,864,865
Other uses and transfers	42,263		26,197	30,843
Total outgo	5,139,173	5,626,246	8,390,888	4,895,708
Change in fund balance	(349,547)	74,357	(2,143,023)	2,686,253
Ending fund balance	$ 1,290,532	$ 1,640,079	$ 1,565,722	$ 3,708,745
Available reserves (note 1)	$ 654,554	$ 1,029,101	$ 1,173,137	$ 1,116,354
Reserve for economic uncertainties	$ 256,959	$ 284,646	$ 1,173,137	$ 1,116,354
Undesignated/unassigned fund balance	$ 397,595	$ 744,455	$ -	$ -
Available reserves as a percentage of total outgo	12.74%	18.29%	13.98%	22.80%
Total long-term liabilities	$ 7,542,054	$ 7,648,091	$ 10,132,042	$ 7,626,276
Average daily attendance at P-2	237	248	270	270

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

The General Fund balance has decreased by $2,068,666 over the past two fiscal years. The fiscal year 2022-23 budget projects a decrease of $349,547. For a District this size, the State recommends available reserves of at least 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years and anticipates an operating deficit in the 2022-23 fiscal year. Total long-term liabilities has increased by $21,815 over the past two fiscal years.

Average daily attendance has decreased by 22 over the past two fiscal years. A decrease of 11 ADA is anticipated during the fiscal year 2022-23.

NOTES:

1) Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained with the General Fund.
2) Budget 2023 is included for analytical purposes only and has not been subjected to audit.

SHANDON JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through the California Department of Education:			
Title I	84.010	14329	$ 93,838
ESSER I	84.425	15536	19,932
ESSER II	84.425	15547	245,692
ESSER III	84.425	15559	98,462
ESSER III Learning Loss	84.425U	10155	24,460
ESSER II Expanded Learning	84.425	15618	48,591
GEER II Expanded Learning	84.425	15619	11,152
ESSER III Expanded Learning	84.425	15620	31,676
ESSER III State Reserve Expanded Learning	84.425	15621	37,691
			517,656 *
Special Education	84.027	13379	50,322
Perkins V Section 131	84.048	14894	2,852
Title V	84.358	14984	22,841
Title II	84.367	14341	8,979
Title IV	84.424	15396	17,500
Title III	84.365	14346	13,761
Total U.S Department of Education			727,749
U.S. Department of Agriculture:			
Passed through the California Department of Education:			
National School Lunch	10.555	13391	133,251
COVID-19 ECR	10.555	15637	10,874
National School Breakfast	10.553	13526	73,550
Fruit and Vegetables	10.582	14968	2,369
			220,044
P-EBT Administrative Costs Grant	10.649	15644	614
Child and Adult Care Food	10.558	13389	2,244
Total U.S Department of Agriculture			222,902
Total expenditures of federal awards			$ 950,651

* Denotes major program

The accompanying note is an integral part of this schedule.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Shandon Joint Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements*, Cost Principles for Federal Awards (Uniform Guidance), therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District has not elected to use the ten percent de minimus cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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SHANDON JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022

	General Fund	Capital Facilities Fund
June 30, 2022, annual financial and budget report fund balances	$ 1,640,079	$ 151,742
Understatement of cash on hand and in banks		
June 30, 2022, audited financial statements fund balances	$ 1,640,079	$ 151,742

	Long-Term Liabilities
June 30, 2022, annual financial and budget report total liabilities	$ 10,132,042
Understatement of compensated absences	5,170
Overstatement of net pension liability	(2,361,326)
Overstatement of bond payable	(436,671)
Understatement of bond premium	308,876
June 30, 2022, audited financial statements long-term liabilities	$ 7,648,091

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the long-term debt as reported on the annual financial and budget report to the audited statements.

Associated Student Body Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund
$ -	$ 28,166	$ 1,763,416	$ 555,738
49,516			
$ 49,516	$ 28,166	$ 1,763,416	$ 555,738

Moss, Levy & Hartzheim LLP
Certified Public Accountants

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

Board of Trustees
Shandon Joint Unified School District
Shandon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Shandon Joint Unified School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2022.

Report on 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 entity'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 or significant deficiencies may exist that have not been identified.

Report on 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 statement. 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*.

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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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 15, 2022

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Shandon Joint Unified School District
Shandon, California

Report on State Compliance

Opinion

We have audited the Shandon Joint Unified School District's (the District) compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of Shandon Joint Unified School District's state programs identified below for the fiscal year ended June 30, 2022.

Qualified Opinion on Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Shandon Joint Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on State Compliance for the fiscal year ended June 30, 2022.

Unmodified Opinion on Other State Compliance Requirements

In our opinion, the Shandon Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other state compliance for the fiscal year ended June 30, 2022.

Basis for Opinion

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 *2021-2022 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, Section 19810. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Basis for Qualified Opinion on Classroom Teacher Salaries

As described in the accompanying schedule of findings and questioned costs, as item 2022-001, Shandon Joint Unified School District did not comply with requirements regarding Classroom Salaries in accordance with *the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed by Title 5, *California Code of Regulations,* Section 19810. Compliance with such requirements is necessary, in our opinion, for the Shandon Joint Unified School District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or the override of internal controls. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Shandon Joint Unified School District's internal control. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance accounting:	
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	Not applicable
Continuation education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship, Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not applicable

Compliance Requirements	Procedures Performed
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California Clean Energy Jobs Act	Not applicable
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study- Course Based	Not applicable
Immunizations	Not applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
CHARTER SCHOOLS:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instruction Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *2021-2012 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, Section 19810 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002.

Shandon Joint Unified School District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting.* Accordingly, this report is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 15, 2022

*The term "not applicable" is used above to mean either Shandon Joint Unified School District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shandon Joint Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Shandon Joint Unified School District's major federal programs for the year ended June 30, 2022. Shandon Joint Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Shandon Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 15, 2022

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FINDINGS AND RECOMMENDATIONS SECTION

Section 1 – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_____ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes __X__ None reported
Noncompliance material to financial statements noted?	_____ Yes __X__ No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	_____ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes __X__ None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516	_____ Yes __X__ No

Identification of major programs

ALN Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee:	_____ Yes __X__ No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?	__X__ Yes _____ No
Type of auditors' report issued on compliance for state programs:	Qualified

Section II – Financial Statements Findings

There were no financial statement findings and questioned costs.

Section III- Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs.

Section III- State Award Findings and Questioned Costs

FINDING 2022-001
CLASSROOM TEACHER SALARIES
61000

Criteria:
In accordance with Education Code Section 41372, unified school districts must have at least 55 percent of education expense be for teacher salaries.

Condition:
During our examination of expenses, it was noted the District did not meet the applicable minimum percentage.

Cause:
District oversight.

Effect:
The District did not spend enough for the minimum classroom teacher salaries by $181,452.

Minimum percentage required:	55.00%
Percentage spent by the district:	51.43%
Percentage below the minimum	3.57%
District's Current Expense of Education after reductions:	$ 5,085,212
Deficiency Amount:	$ 181,542

Questioned Costs:
$181,542

Repeat Finding:
No

Recommendation:
The District should monitor the expenditures for the year and ensure the minimum percentage is met.

District's Corrective Action Plan:
For the fiscal year ending June 30, 2022, the teachers' salary schedule was restructured, retroactively to July 1, 2021. The restructuring allowed for a salary increase for every step (year of service) for all teachers, regardless of longevity. In addition, a 2% off schedule salary increase was negotiated and approved by the Board of Trustees.

FINDING 2022-002
INSTRUCTIONAL TIME
40000

Criteria:
In accordance with Education Code Section 41422, school districts that were closed due to extraordinary conditions may receive instructional time credit for the days and minutes lost with the approval of the J-13A waiver.

Condition:
As of the date of the issuance of the audit report, the J-13A waiver has not been approved by the California Department of Education.

Cause:
J-13A waivers may take up to several months for approval.

Effect:
Without an approved J-13A waiver; the District is 5 days under the required 180 instructional days, Grades 4 and 5 are each 205 minutes under the required 54,000 minutes, and Grades 9-12 are each 1,415 minutes under the required 64,800.

Questioned Costs:
The questioned costs for the 5 instructional days is $62,887. For the shortage of minutes, the questioned costs are as follows: Grade 4 is $551, Grade 5 is $649, Grade 9 is $4,251, Grade 10 is $4,345, Grade 11 is $4,345, and Grade 12 is $4,304.

Repeat Finding:
No

Recommendation:
The District should ensure that the J-13A waiver is approved by the California Department of Education.

District's Corrective Action Plan:
As of this date, the J13A waiver by the California Department of Education has still not been made. At the time of the decision to close the school, the decision was supported by the Board of Trustees and the San Luis Obispo County Superintendent of Schools. It is unknown at this time when the J13A waiver will be approved. The initial paperwork was submitted in Spring 2022 and additional documents were requested and returned in Fall 2022.

Section I – Financial Statements Findings

There were no prior year financial statement findings.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section II- Federal Award Findings and Questioned Costs

There were no prior fiscal year federal award findings and questioned costs.

SHANDON JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022
Section III- State Award Findings and Questioned Costs

There were no prior year state award statement findings and questioned costs.

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE COUNTIES OF SAN LUIS OBISPO AND MONTEREY

The following information concerning the Shandon Joint Unified School District (the "District"), the County of San Luis Obispo (the "County") and the County of Monterey ("Monterey County") is included only for the purpose of supplying general information regarding the community in and around the District. The Bonds are not a debt of the County, Monterey County, the State of California (the "State"), or any of the State's political subdivisions; and neither the County, Monterey County, the State, nor any of the State's political subdivisions (other than the District) is liable for the Bonds.

The District is located in the County and Monterey County. Approximately 77.3% of the District's assessed valuation is located in the County and 22.7% of the District's assessed valuation is located in the southern portion of Monterey County. The District includes two elementary schools and one high school.

San Luis Obispo County

General. San Luis Obispo County was incorporated on February 18, 1850, and encompasses 3,616 square miles. It is located on the California coast midway between the metropolitan areas of San Francisco and Los Angeles. The borders are the Pacific Ocean to the west, Monterey County to the north, Santa Barbara County to the south, and Kern County to the east. The County seat is the City of San Luis Obispo.

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Population. The population in the County as of January 1 for the years 2018 through 2022 is shown in the following table.

POPULATION ESTIMATES
San Luis Obispo County, Cities of San Luis Obispo County, and State of California
2018 through 2022 (As of January 1)

Area	2018	2019	2020	2021	2022[1]
Arroyo Grande	17,792	17,757	17,617	18,533	18,294
Atascadero	30,267	30,300	30,042	30,823	30,480
El Paso De Robles	31,185	31,149	31,245	31,659	31,176
Grover Beach	13,415	13,304	13,204	12,879	12,707
Morro Bay	10,333	10,235	10,151	10,638	10,466
Pismo Beach	8,271	8,272	8,191	8,095	7,981
San Luis Obispo	46,075	45,972	45,916	47,541	47,653
Balance Of County	120,912	120,861	120,452	119,542	121,964
Incorporated	157,338	156,989	156,366	160,168	158,757
County Total	278,250	277,850	276,818	279,710	280,721
California State Total	39,519,535	39,605,361	39,648,938	39,303,157	39,185,605

(1) Provisional population estimates for January 1, 2022, for the counties and cities.
Source: California State Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark* and E-*4 Population Estimates for Cities, Counties, and the State, 2021-2022, with 2020 Census Benchmark*. Sacramento, California, May 2022.

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Employment and Industry. The mainstays of the economy are California Polytechnic State University with its almost 20,000 students, tourism, and agriculture**.** San Luis Obispo County historically has been known as a ranching and agriculture community, consisting primarily of vineyards and wineries. The economy also comprises significant medical services, including Twin Cities Community Hospital.

The following table lists the major employers located in the County in alphabetical order, without regard to the number of employees.

MAJOR EMPLOYERS
County of San Luis Obispo

Employer	Location	Industry
AMI Sierra Vista Radiology	San Luis Obispo	Physicians & Surgeons
Arroyo Grande Community Hosp	Arroyo Grande	Hospitals
Atascadero State Hospital	Atascadero	Hospitals
Broad Street Storage	San Luis Obispo	Storage-Household & Commercial
Cal Poly State University	San Luis Obispo	Schools-Universities & Colleges Academic
California Mid-State Fair	Paso Robles	Concert Venues
California State Parks	San Simeon	State Parks
Cuesta College	Paso Robles	Junior-Community College-Tech Institutes
French Hospital Medical Ctr	San Luis Obispo	Hospitals
Glenair Inc	Paso Robles	Communications Consultants
Madonna Inn Bakery	San Luis Obispo	Resorts
Medi-Cal Eligibility Info	San Luis Obispo	Government Offices-County
Mental Marketing	San Luis Obispo	Advertising-Agencies & Counselors
Morro Bay Art Assn	Morro Bay	Art Galleries & Dealers
Mustang Waterpark	Arroyo Grande	Water Parks
Pacific Gas & Electric Co	San Luis Obispo	Electric Companies
Pismo State Beach	Oceano	State Parks
Ramirez Farm Labor	Shandon	Labor Contractors
San Luis Obispo County EMS	San Luis Obispo	Government Offices-County
San Luis Obispo County Ofc-Edu	San Luis Obispo	School Districts
San Luis Obispo Sheriff's Dept	San Luis Obispo	Sheriff
Sierra Vista Regional Med Ctr	San Luis Obispo	Hospitals
Social Services Dept	San Luis Obispo	Government Offices-County
Trust Rcm	San Luis Obispo	Billing Service
Twin Cities Community Hospital	Templeton	Hospitals

Source*:* California Employment Development Department, extracted from *America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition.*

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The table below summarizes employment and unemployment rates in the County, and historical numbers of workers in the County by industry.

CIVILIAN LABOR FORCE AND INDUSTRY EMPLOYMENT BY ANNUAL AVERAGE
County of San Luis Obispo

Civilian Labor Force	2017	2018	2019	2020	2021
Labor Force	140,300	140,100	139,800	133,900	135,300
Employment	135,200	135,800	135,700	123,400	128,200
Unemployment	5,100	4,200	4,100	10,500	7,100
Unemployment Rate	3.6%	3.0%	2.9%	7.9%	5.2%
Employment by Industry	**2017**	**2018**	**2019**	**2020**	**2021**
Total, All Industries	121,700	123,100	124,700	114,400	119,300
Total Farm	5,200	5,200	5,000	4,800	4,900
Total Nonfarm	116,500	117,900	119,700	109,600	114,300
Total Private	92,400	93,600	95,300	86,000	91,200
Goods Producing	14,700	15,600	16,100	15,800	17,000
Mining, Logging, and Construction	7,500	7,900	8,300	8,500	9,100
Manufacturing	7,300	7,700	7,800	7,300	7,800
Durable Goods	3,100	3,200	3,200	2,900	3,000
Nondurable Goods	4,200	4,500	4,600	4,400	4,900
Service Providing	101,800	102,300	103,600	93,800	97,400
Private Service Providing	77,600	78,000	79,200	70,200	74,200
Trade, Transportation & Utilities	21,300	21,100	20,800	19,100	19,800
Wholesale Trade	2,800	2,700	2,700	2,500	2,600
Retail Trade	14,300	14,300	14,000	12,900	13,400
Transportation, Warehousing & Utilities	4,300	4,100	4,100	3,700	3,700
Information	1,300	1,200	1,200	1,100	1,200
Financial Activities	3,900	3,900	3,900	3,800	3,900
Finance & Insurance	2,300	2,300	2,200	2,300	2,300
Real Estate & Rental & Leasing	1,600	1,600	1,700	1,500	1,600
Professional & Business Services	10,700	10,900	11,200	10,500	11,000
Educational & Health Services	17,400	17,700	18,200	17,000	17,500
Leisure & Hospitality	19,100	19,200	19,800	15,400	17,400
Accommodation & Food Services	17,500	17,600	18,100	14,200	15,900
Accommodation	4,400	4,400	4,600	3,700	3,900
Food Services & Drinking Places	13,100	13,200	13,500	10,500	12,000
Other Services	4,000	4,000	4,100	3,300	3,500
Government	24,100	24,300	24,500	23,500	23,200
Federal Government	500	500	500	600	600
State & Local Government	23,600	23,800	23,900	22,900	22,600
State Government	10,600	10,800	10,800	10,600	10,200
State Government Education	5,100	5,200	5,200	4,900	4,600
State Government Excluding Education	5,500	5,600	5,700	5,700	5,600
Local Government	13,000	13,100	13,100	12,400	12,400
Local Government Excluding Education	5,000	5,000	5,000	4,900	5,100
Special Districts plus Indian Tribes	500	500	500	500	500

Source*:* State of California Employment Development Department, Labor Market Information Division, *Industry Employment – Official Estimates, with March 2021 Benchmark.* Sacramento, California, June 2022.

Commercial Activity. A summary of the annual taxable sales from 2017 through 2021 within the County is shown below.

TAXABLE SALES
County of San Luis Obispo
2017 through 2021
(Dollars in Thousands)

	Retail and Food Services		Total All Outlets	
Year	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2017	7,210	$ 3,730,441	11,955	$ 5,341,390
2018	7,181	3,865,203	12,387	5,416,332
2019	7,105	3,929,770	12,596	5,489,189
2020	7,447	4,005,502	13,332	5,480,713
2021	6,569	4,803,344	11,956	6,695,515

Source: California Department of Tax and Fee Administration, *Taxable Sales - Counties by Type of Business (Taxable Table 3),* last updated January 2023.

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Income. Total personal income in the County increased by 20% between 2017 and 2021. Per capita personal income in the County grew by 22.7% between 2017 and 2021. The tables below provide the personal income and the per capita personal income in the County, State of California, and the United States from fiscal year 2017 through 2021.

PERSONAL INCOME
County of San Luis Obispo, State of California, and United States
2017 through 2021
(Dollars in Thousands)

Year	County of San Luis Obispo	California	United States
2017	$15,331,154	$2,318,280,905	$16,837,337,000
2018	15,851,762	2,431,773,865	17,671,054,000
2019	16,904,030	2,567,425,620	18,575,467,000
2020	17,964,706	2,790,523,455	19,812,171,000
2021	18,863,123	3,006,183,929	21,288,709,000

Source: U.S. Bureau of Economic Analysis, *SAINC1 State annual personal income summary: personal income, population, per capita personal income* and *CAINC1 County and MSA personal income summary: personal income, population, per capita personal income* (accessed Friday, March 10, 2023).

PER CAPITA PERSONAL INCOME[(1)]
County of San Luis Obispo, State of California, and United States
2017 through 2021

Year	County of San Luis Obispo	California	United States
2017	$54,288	$58,804	$51,550
2018	55,978	61,508	53,786
2019	59,806	64,919	56,250
2020	63,652	70,647	59,765
2021	66,617	76,614	64,143

(1) Per capita personal income was computed using Census Bureau midyear population estimates. BEA produced intercensal annual county population statistics for 2010 to 2019 that are tied to the Census Bureau decennial counts for 2010 and 2020. BEA developed intercensal population statistics because this data was not published when Census released county population data for 2020 and 2021, which are based on the 2020 decennial counts. BEA used the Census Bureau Das Gupta method (see https://www2.census.gov/programs-surveys/popest/technical-documentation/methodology/intercensal/2000-2010-intercensal-estimates-methodology.pdf), modified to account for an extra leap year day, to produce the intercensal population figures that will be used until Census releases its official intercensal population data.

Source: U.S. Bureau of Economic Analysis, *SAINC1 State annual personal income summary: personal income, population, per capita personal income* and *CAINC1 County and MSA personal income summary: personal income, population, per capita personal income* (accessed Friday, March 10, 2023).

Monterey County

General. Monterey County borders the Pacific Ocean approximately 130 miles south of San Francisco and 240 miles north of Los Angeles and was incorporated in 1850 as one of the State's original 27 counties. The County covers an area of approximately 3,300 square miles. Agriculture, tourism and government are major contributors to the County's economy. The Salinas Valley, located in the eastern portion of the County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction. The Monterey Bay Aquarium, Pebble Beach Golf Course and the City of Carmel are attractions that draw tourists to the Monterey Peninsula.

Population. The population in Monterey County as of January 1 for the years 2018 through 2022 is shown in the following table.

POPULATION ESTIMATES
Monterey County, Cities of Monterey County, and State of California
2018 through 2022 (As of January 1)

Area	2018	2019	2020	2021	2022[(1)]
Carmel-By-The-Sea	4,027	4,051	4,040	3,095	3,041
Del Rey Oaks	1,683	1,686	1,677	1,558	1,539
Gonzales	8,553	8,574	8,528	8,492	8,340
Greenfield	18,053	18,119	18,333	18,705	19,634
King City	14,347	14,544	14,838	13,476	13,331
Marina	22,342	22,704	22,372	21,271	21,457
Monterey	28,212	28,099	28,304	28,347	28,082
Pacific Grove	15,634	15,635	15,571	14,942	14,761
Salinas	159,846	160,522	160,387	161,777	159,932
Sand City	371	372	373	378	372
Seaside	33,767	33,074	33,608	31,113	32,068
Soledad	25,680	25,819	25,399	26,316	26,308
Balance Of County	106,124	107,000	106,963	106,251	104,851
Incorporated	332,515	333,199	333,430	329,470	328,865
County Total	438,639	440,199	440,393	435,721	433,716
California State Total	39,519,535	39,605,361	39,648,938	39,303,157	39,185,605

(1) Provisional population estimates for January 1, 2022, for the counties and cities.
Source: California State Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark* and E-*4 Population Estimates for Cities, Counties, and the State, 2021-2022, with 2020 Census Benchmark*. Sacramento, California, May 2022.

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Employment and Industry. The following table is a list of the major employers located in Monterey County in alphabetical order, without regard to the number of employees.

MAJOR EMPLOYERS
County of Monterey

Employer	Location	Industry
Al Pak Labor	Soledad	Labor Contractors
Azcona Harvesting	Greenfield	Harvesting-Contract
Bud of California	Soledad	Fruits & Vegetables-Growers & Shippers
County-Monterey Behavioral	King City	Health Services
Filipino American Cmnty Club	Marina	Church Organizations
Fort Hunter Liggett Military	Jolon	Military Bases
Growers Co	Salinas	Fruits & Vegetables & Produce-Retail
Hilltown Packing Co Inc	Salinas	Harvesting-Contract
Mann Packing Co Inc	Salinas	Fruits & Vegetables-Growers & Shippers
Mee Memorial Hospital	King City	Hospitals
Middlebury Institute-Intl Stds	Monterey	Schools-Universities & Colleges Academic
Misionero Vegetables	Gonzales	Fruits & Vegetables-Growers & Shippers
Monterey County Public Works	Salinas	Government Offices-County
Monterey County Social Svc Dpt	Salinas	Government Offices-County
Monterey Peninsula College	Monterey	Junior-Community College-Tech Institutes
Natividad Medical Ctr	Salinas	Hospitals
Pebble Beach Co	Pebble Beach	Hotels & Motels
Pebble Beach Resorts	Pebble Beach	Resorts
Premium Packing Inc	Salinas	Labor Contractors
Quality Farm Labor	Gonzales	Labor Contractors
R C Packing	Gonzales	Packing & Crating Service
Salinas Valley Meml Healthcare	Salinas	Health Care Management
US Defense Dept	Seaside	Government Offices-Federal
US Defense Manpower Data Ctr	Seaside	Government Offices-Federal
Valley Harvesting	Greenfield	Crop Harvesting-Primarily By Machine

Source: California Employment Development Department, extracted from *America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition.*

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The following table summarizes employment and unemployment rates in Monterey County, and historical numbers of workers in Monterey County by industry from 2017 through 2021.

CIVILIAN LABOR FORCE AND INDUSTRY EMPLOYMENT BY ANNUAL AVERAGE
County of Monterey

Civilian Labor Force	2017	2018	2019	2020	2021
Labor Force	219,500	221,900	221,500	213,800	211,900
Employment	203,600	207,600	207,500	189,800	194,300
Unemployment	15,900	14,300	14,100	24,000	17,500
Unemployment Rate	7.2%	6.4%	6.4%	11.2%	8.3%
Employment by Industry	**2017**	**2018**	**2019**	**2020**	**2021**
Total, All Industries	192,400	198,000	199,900	185,700	190,600
Total Farm	53,200	55,000	54,800	53,800	54,800
Total Nonfarm	139,200	143,000	145,100	131,900	135,700
Total Private	105,900	108,500	110,400	98,100	102,100
Goods Producing	11,800	12,000	12,100	11,200	11,700
Mining, Logging, and Construction	6,200	6,700	6,800	6,500	6,600
Manufacturing	5,600	5,400	5,300	4,700	5,100
Nondurable Goods	3,900	3,700	3,600	3,100	3,400
Service Providing	127,400	131,000	133,000	120,700	124,000
Private Service Providing	94,100	96,500	98,300	86,900	90,400
Trade, Transportation & Utilities	26,200	26,700	26,600	24,600	25,000
Wholesale Trade	5,600	5,900	5,800	5,400	5,300
Retail Trade	16,400	16,800	16,800	15,500	16,100
Food & Beverage Stores	3,600	3,800	4,000	4,100	4,200
Transportation, Warehousing & Utilities	4,100	4,000	4,100	3,800	3,600
Information	1,100	1,000	1,000	800	800
Financial Activities	4,300	4,500	4,400	4,100	4,100
Professional & Business Services	13,200	14,000	14,700	14,400	15,100
Educational & Health Services	19,700	19,900	20,400	19,800	20,200
Health Care & Social Assistance	17,600	17,800	18,100	17,800	18,100
Leisure & Hospitality	24,500	25,300	26,100	18,800	20,300
Accommodation & Food Services	22,000	22,700	23,300	16,900	18,200
Other Services	5,200	5,100	5,100	4,500	4,800
Government	33,300	34,500	34,700	33,800	33,700
Federal Government	5,100	5,100	5,200	5,600	5,500
Department of Defense	3,700	3,700	3,700	4,000	4,000
State & Local Government	28,200	29,400	29,600	28,200	28,100
State Government	5,700	5,700	5,700	5,500	5,400
State Government Education	1,500	1,400	1,500	1,400	1,300
State Government Excluding Education	4,200	4,200	4,200	4,200	4,100
Local Government	22,500	23,800	23,900	22,700	22,800
Local Government Education	11,900	12,900	13,000	12,100	12,000
Local Government Excluding Education	10,600	10,800	10,900	10,600	10,800
County	5,100	5,200	5,200	5,200	5,400
City	2,300	2,300	2,300	1,900	2,000
Special Districts plus Indian Tribes	3,200	3,300	3,400	3,400	3,500

Source: State of California Employment Development Department, Labor Market Information Division, *Industry Employment – Official Estimates, with March 2021 Benchmark.* Sacramento, California, June 2022.

Commercial Activity. A summary of the historic annual taxable sales from 2017 through 2021 within the County is shown below.

TAXABLE SALES
County of Monterey
2017 through 2021
(Dollars in Thousands)

	Retail and Food Services		Total All Outlets	
Year	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2017	7,544	$4,891,626	11,959	$6,939,334
2018	7,666	5,112,856	12,490	7,339,237
2019	7,725	5,128,263	12,816	7,418,249
2020	8,078	4,923,657	13,505	6,953,873
2021	7,363	5,930,462	12,425	8,439,415

Source: *California Department of Tax and Fee Administration, Taxable Sales - Counties by Type of Business (Taxable Table 3), last updated January 23, 2023.*

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Income. Total personal income in Monterey County increased by 20.1% between 2017 and 2021. Per capita personal income in Monterey County grew by 20.6% between 2017 and 2021. The tables below provide the personal income and the per capita personal in Monterey County, the State and the United States from 2017 through 2021.

PERSONAL INCOME
County of Monterey, State of California, and United States
2017-2021
(Dollars in Thousands)

Year	County of Monterey	California	United States
2017	$23,097,874	$2,318,280,905	$16,837,337,000
2018	23,317,005	2,431,773,865	17,671,054,000
2019	24,787,069	2,567,425,620	18,575,467,000
2020	26,794,525	2,790,523,455	19,812,171,000
2021	27,747,802	3,006,183,929	21,288,709,000

Source*:* U.S. Bureau of Economic Analysis, *SAINC1 State annual personal income summary: personal income, population, per capita personal income* and *CAINC1 County and MSA personal income summary: personal income, population, per capita personal income* (accessed Friday, March 10, 2023).

PER CAPITA PERSONAL INCOME[1]
County of Monterey, State of California, and United States
2017-2021

Year	County of Monterey	California	United States
2017	$52,601	$58,804	$51,550
2018	53,065	61,508	53,786
2019	56,313	64,919	56,250
2020	61,105	70,647	59,765
2021	63,449	76,614	64,143

(2) Per capita personal income was computed using Census Bureau midyear population estimates. BEA produced intercensal annual county population statistics for 2010 to 2019 that are tied to the Census Bureau decennial counts for 2010 and 2020. BEA developed intercensal population statistics because this data was not published when Census released county population data for 2020 and 2021, which are based on the 2020 decennial counts. BEA used the Census Bureau Das Gupta method (see https://www2.census.gov/programs-surveys/popest/technical-documentation/methodology/intercensal/2000-2010-intercensal-estimates-methodology.pdf), modified to account for an extra leap year day, to produce the intercensal population figures that will be used until Census releases its official intercensal population data.

Source: U.S. Bureau of Economic Analysis, *SAINC1 State annual personal income summary: personal income, population, per capita personal income* and *CAINC1 County and MSA personal income summary: personal income, population, per capita personal income* (accessed Friday, March 10, 2023).

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by Shandon Joint Unified School District (the "District") in connection with the execution and delivery of $1,940,000 aggregate principal amount of the District's General Obligation Bonds, 2020 Election, 2023 Series B (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on April 18, 2023 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist the original purchaser in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, the Dissemination Agent shall be Dale Scott & Company.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at http://emma.msrb.org/, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated May 17, 2023 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2023, which would be due on April 1, 2024, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice in a timely manner to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial Statements. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) (Delivery of Annual Report to Repository), 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) Most Recent Interim Financial Report. The most recent Interim Financial Report submitted by the Superintendent to the District's Board of Trustees in accordance with Education Code section 42130 (or its successor statutory provision), together with any supporting materials submitted to the Board of Trustees.

(c) Annual Budget. The District's approved annual budget for the then-current fiscal year.

(d) Assessed Value. Assessed value of taxable property (secured, unsecured, and total) in the District as shown on the most recent equalized assessment roll.

(e) Average Daily Attendance. The most recently available Average Daily Attendance report for the District.

(f) Top Twenty Taxpayers. The 20 largest local secured taxpayers as shown on the most recent equalized assessment roll.

(g) Property Tax Delinquencies. Property tax levies, collections and delinquencies, only if San Luis Obispo County terminates or discontinues the Teeter Plan within the District

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 that have been submitted to each of the Repositories or the Securities and Exchange Commission. 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 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) 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;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent; or

(viii) Incurrence of a Financial Obligation of the obligated person 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.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report 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.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: May 31, 2023

SHANDON JOINT UNIFIED SCHOOL DISTRICT

By:____
Superintendent

ACCEPTED AS DISSEMINATION AGENT:

DALE SCOTT & COMPANY, INC.

By:_____________________________________
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Shandon Joint Unified School District

Name of Issue: $1,940,000 General Obligation Bonds, 2020 Election, 2023 Series B (Bank Qualified)

Date of Issuance: May 31, 2023

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated May 31, 2023. The Issuer anticipates that the Annual Report will be filed by ____________________.

Dated: ___________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

SAN LUIS OBISPO COUNTY INVESTMENT POLICY STATEMENT

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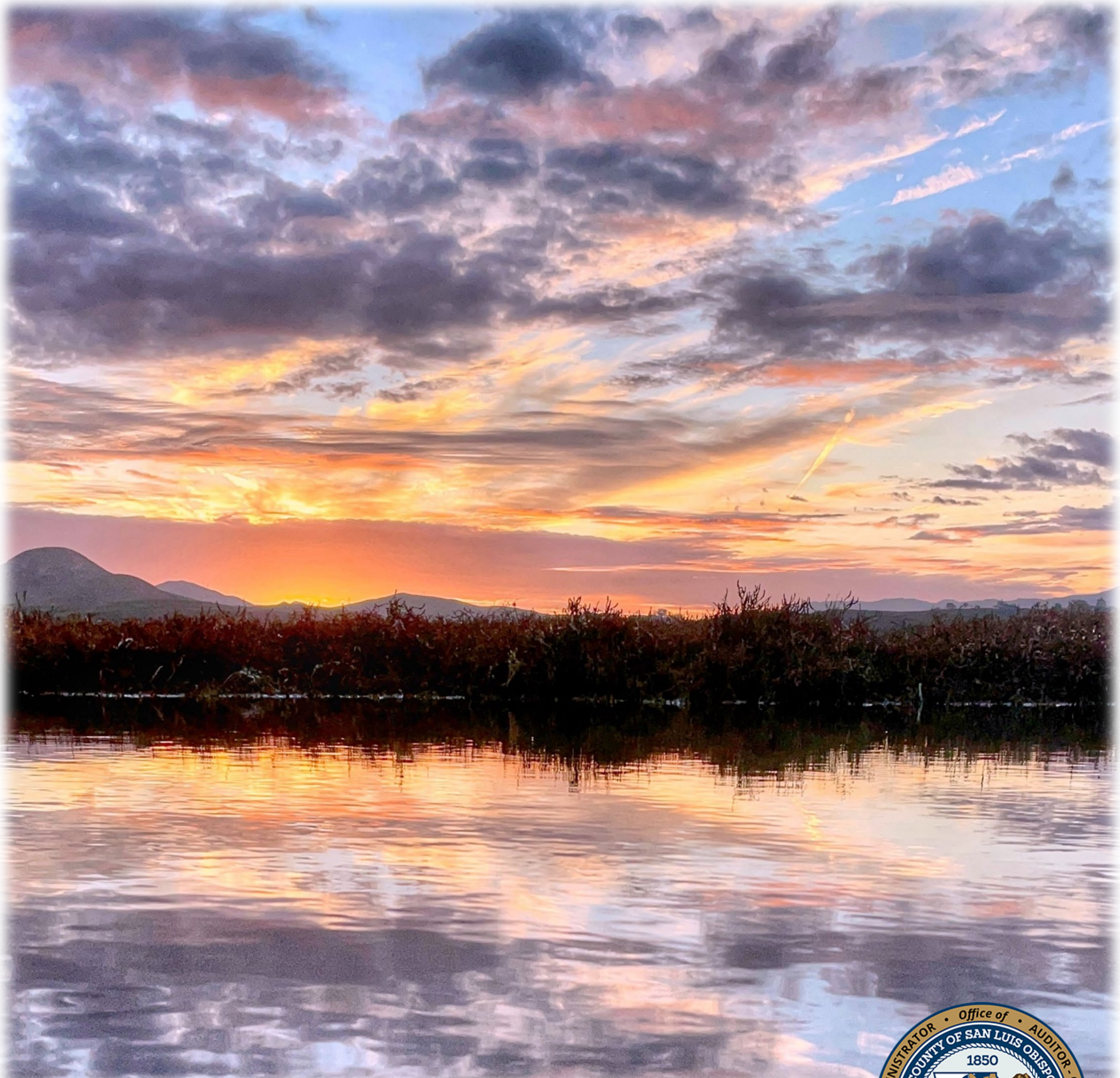
County of San Luis Obispo

Treasurer's Investment Policy 2023



James W. Hamilton, CPA
County Treasurer

James W. Hamilton, CPA, Treasurer
San Luis Obispo County

1055 Monterey Street
Room D-290, County Government Center
San Luis Obispo, CA 93408
Telephone Number: (805) 781-5842
Fax Number: (805) 781-5362
Email: ttc@co.slo.ca.us
Website: www.sloacttc.com

Approval Schedule

- *County Treasury Oversight Committee (CTOC)*
  Meeting on November 29, 2022

- *County Board of Supervisors*
  Meeting on December 13, 2022

Approved policy will remain in effect until succeeding policy is adopted.

Investment Policy

- Established: May 1983
- Current Revision: December 2022

Cover Photo by Mark Maier

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Overview

1. Purpose
   The purpose of the San Luis Obispo County Treasury Investment Policy is to clearly state the guidelines and standards established by the San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector for management of the County's Combined Pool Investment Fund, including prudent investment, objectives, internal controls, oversight, and reporting requirements.

2. Frequently Used Abbreviations
   Throughout the pages which follow, the San Luis Obispo County Treasury Investment Policy will be referred to as the "Policy," the San Luis Obispo County Combined Pool Investment Fund will be referred to as the "Combined Pool," the San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector will be referred to as the "County Treasurer," and California Government Code will be referred to as "CGC."

3. Preface
   a. This Policy has been researched, prepared, and written under the direction of the County Treasurer, with input from the County Administrative Office and the County Treasury Oversight Committee. The Policy is presented annually to the County Board of Supervisors for approval as required by CGC §53646 and shall remain in effect until the succeeding policy is adopted.
   b. The statements made herein are intended to ensure the achievement of the purpose, goals, and objectives of the Combined Pool portfolio in an orderly, accurate manner. Some portions are a restatement of State law but are included because they are integral to the purpose and flow of the policy.
   c. There is no guarantee that problems, errors, or losses will not arise while administering the investment of public funds. Obstacles that may affect the achievement of the goals and objectives of the portfolio include, but are not limited to, unforeseen national or international events or crises, natural disasters, unexpected demands on cash flow, errors in data or advice used to make decisions, as well as any other unforeseen event that may have an effect on local, national, or international financial markets, economies or politics which in turn has an effect upon the fund.
   d. All investments made while this policy is in effect are governed by the statements and constraints contained herein. Investments made prior to the adoption of this policy are subject to the policy in place at the time the investment was made. The County Treasurer will consider efforts to reposition investments made under prior policies to comply with the current policy, subject to the risk-reward tradeoff inherent in such changes.
   e. In addition to this Policy itself, the County Treasurer also maintains detailed procedures to support and ensure compliance with the Policy.

(Overview – Continued)

4. Policy
    a. The County Treasurer shall prudently manage County funds and funds of local agencies in the Combined Pool pursuant to the defined objectives, which in order of priority, are safety, liquidity, and yield, while maintaining compliance with relevant laws and policies.
    b. While this Policy is intended to guide the investment activities of the Combined Pool, nothing in this Policy is intended to prevent the County Treasurer from acting in the best interest of the County in the face of changing market conditions and circumstances. The County Treasurer is therefore authorized to make written exceptions to this policy within the limits of CGC and all relevant laws.
    c. Any requests for exceptions must be made in writing to the County Treasurer from the Treasury Manager, a Deputy County Treasurer, or a person acting in one of these capacities.

5. Scope
    a. This Policy is intended to cover all investment activities in the Combined Pool under the direct authority of the County Treasurer. The County maintains the Combined Pool with cash and investments which provide cash flow for the funding needs of the participants. Participants include County departments, agencies, schools, and special districts. A list of all participants is maintained by fund in the County's enterprise financial system.
    b. Since bank accounts are not considered investments per CGC, banking processes, standards, and relationships are not subject to this Policy, although a section on bank accounts and their use within the overall investment strategy is included herein for reference.

6. Objectives and Strategy
    a. The objectives of the Combined Pool are in order of priority: to ensure safety, then to meet liquidity needs, and finally to earn a return, while maintaining compliance with federal, state, and local laws and regulations.
    b. The County Treasurer is first and foremost a custodian of funds, and accordingly, emphasizes conservative investment strategies, even within what is allowed by government codes and practiced by many other government agencies. All investments are subject to risk, and no policy will eliminate risk in all cases. Such conservative and risk-avoidance approaches to investment management designed to emphasize safety, may result in correspondingly lower portfolio yields, but also reduce exposure to losses of principal.
    c. Safety
        i. The Combined Pool shall be managed in a manner that ensures the safety of the principal by minimizing risk. Exposure to risk may come from such factors as changing market conditions, potential default by an issuer of investments, rising interest rates which devalue fixed rate investments,

(Overview – Continued)

unforeseen cash flow needs which may create unplanned liquidity needs, and more. Risk will be managed by multiple methods, including:

1. Limiting investments to the safest types of securities.
2. Diversifying issuers, instruments, and maturities.
3. Setting maximum limits for each issuer.
4. Setting maximum limits for each type of investment.
5. Emphasizing investments which are guaranteed by the government explicitly, implicitly, or through FDIC insurance, or have pledged collateral to secure the principal balance.
6. Pre-qualifying custody financial institutions, which hold purchased securities on behalf of the County, and requiring them to hold such securities in the County Treasurer's name.
7. Planning cash flow such that investment maturities and available bank balances meet planned cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity.
8. Various restrictions on investments as contained in the Policy.
9. Additional methods as determined by the County Treasurer.

ii. The Combined Pool shall be managed with a high degree of care and prudence. While all investments contain a degree of risk, the proper exercise of prudence, the adherence to a high level of ethical standards, the proper delegation of authority, and strong internal controls reduce the risk of any realized loss.

d. Liquidity
The County Treasurer shall maintain cash flow projections and shall ensure the Combined Pool has sufficient liquidity to meet all operating cash flow requirements of the participants. Pursuant to CGC §63646(b).3, the County Treasurer also includes as part of the Quarterly Report of Investments, a formal statement regarding the ability of the Combined Pool to meet anticipated needs of participants for the upcoming six (6) months. This will be accomplished by structuring the portfolio so that maturities meet cash flow requirements. The Combined Pool shall include marketable securities to assist in meeting unanticipated cash requirements.

e. Yield
Each purchase made shall be subject to meeting the requirements of safety, liquidity, and competitive pricing. Subject to meeting the requirements of safety and liquidity first, as well as all requirements of government code and this Policy, reasonable efforts will be made to earn the maximum available yield.

f. Legal Compliance
This Policy is written to be in compliance with federal, state, and local laws and regulations. The Combined Pool is managed in compliance with this Policy and applicable laws. Whenever laws change, any affected section in this policy shall automatically change accordingly to conform to law.

(Overview – Continued)

7. Authority/Delegation of Authority
    a. CGC §27000.1 and §53607 authorize the Board of Supervisors to delegate, on an annual basis, full investment, and depository authority to the County Treasurer. Approval of this Policy constitutes such delegation. CGC §24101 further authorizes the County Treasurer to delegate this authority to one or more Deputy County Treasurers or another qualified management level employee.
    b. The County Treasurer may also engage the services of one or more external investment managers to assist in the management of the Combined Pool in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Policy. Each external manager assigned any portion of the Combined Pool must be registered under the Investment Advisors Act of 1940 and must individually comply with the investment parameters established by this Policy.
    c. No person may engage in an investment transaction except when delegated to do so by the County Treasurer and only as provided under the terms of this Policy and the procedures established and approved by the County Treasurer.
    d. To provide limits and structure to the delegation of authority to manage investments, the County Treasurer will maintain a list of authorized County investment personnel, authorized financial dealers and institutions, and a system of internal controls and written procedures to regulate the activities of investment personnel, as outlined in this Policy, and as may be modified from time to time by approval of the County Treasurer.

Administration, Controls, and Oversight

8. Fiduciary Responsibility: Standards of Care
    a. The County Treasurer shall manage the Combined Pool pursuant to the "Prudent Investor Standard," as defined in CGC §27000.3(c): When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the County Treasurer or the Board of Supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors, that a prudent person 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 County and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.
    b. Investment personnel, while exercising due diligence and acting in compliance with federal, state, and local laws and regulations in accordance with the County Treasurer's written policies and procedures, and this Policy, shall be relieved of personal responsibility for market and credit risks provided that deviations from expectations are reported in a timely manner. For purposes of example, this could involve reporting a credit rating downgrade on an investment held by the Treasury. Such information should be reported immediately to the County Treasurer and/or a Deputy County Treasurer.

9. Ethics and Conflict of Interest
    a. Individuals performing the investment function and members (including their designated alternates) of the County Treasury Oversight Committee (CTOC), as described in Section 16 of this Policy, shall maintain the highest standards of conduct. This includes maintaining independence and having no actual conflicts of interest or appearance of such.
    b. County Treasury investment personnel and members of the CTOC shall:
        i. Refrain from any personal business activity that could conflict with the proper execution and management of the investment program.
        ii. Not engage in any profession, trade, business, or occupation which is incompatible or involves a conflict of interest with their duties or that could affect their ability to make impartial decisions.
        iii. Not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the County.
        iv. Not solicit or accept rebates, gifts, gratuities, or favors from any bank, broker, dealer, or any other person, firm, or organization with which the County Treasurer conducts business, unless such rebates, gifts, gratuities, or favors are available to the general public under the same conditions.

Exceptions may be made for minor items of advertising and other items of minimal value with the approval of the County Treasurer.
v. Disclose any material interest in financial institutions, with which the County does business, and any personal financial or investment positions that could create the appearance of lack of independence.

c. In addition, per CGC §27132.1 - §27133.3, CTOC members shall:
    i. Not be employed by an entity that has contributed to the campaign of a candidate for the office of County Treasurer or 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 committee.
    ii. Not directly or indirectly raise money for a candidate for County Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member on the committee.
    iii. Not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the County Treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

d. Nothing in this Policy supersedes any County ordinance or State law which regulates conduct. This Policy may set standards higher than those established by ordinances or other laws.

10. Internal Controls and Procedures

a. The County Treasurer shall establish and maintain a system of internal controls, which are appropriate for the circumstances, to provide reasonable assurance that the investment objectives are met, and to ensure that the assets of the Combined Pool are protected from loss, theft, or misuse. The concept of "reasonable assurance" recognizes that the cost of control shall not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management.

b. Internal controls shall include, but not be limited to:
    i. Clear delegations of authority.
    ii. Provisions for legal compliance monitoring.
    iii. Third party safekeeping of investments.
    iv. Provisions for ongoing monitoring and auditing of internal controls.
    v. Written procedures, consistent with this Policy, for the operation of the investment program. These procedures, inclusive of those noted below in Section 10.c shall include reference to separation of duties, safekeeping, collateralization, wire transfers, and banking related activities.

c. Except for declared emergencies, the County Treasurer’s Office shall observe the following procedures on a daily basis:

(Administration, Controls, and Oversight – Continued)

i. All investment transactions conducted by the County Treasurer's Office shall be immediately verified and entered in the treasury investment management system.
ii. County investments shall be executed, confirmed, accounted for, and audited by different people.
    1. Daily investment activity, preparation of investment tickets, and trade instructions to custody shall be handled by designated investment personnel.
    2. Broker investment confirmations shall be reviewed and compared to the investment tracking system by designated staff not directly supervised by investment personnel. Discrepancies shall be referred immediately to a Deputy County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction).

11. Safekeeping of Investments
    a. Securities purchased shall be held in the County Treasurer's name and deposited for safekeeping with the custodian bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third-party trust department arrangements provide the County with a perfected interest in, ownership of, and control over the securities held by the custodian bank on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.
    b. Security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the County's external auditors. Authorized staff, not directly supervised by investment personnel, shall compare the safekeeping statements provided by the custodian bank with the statements generated by the treasury investment management system utilized by the County Treasurer.
    c. Security transactions are to be conducted on a "delivery vs. payment basis." This ensures that securities are deposited in the County Treasurer account with the custodian bank prior to the release of funds.
    d. A list of individuals, who are authorized to handle investment transactions and wire transfers, together with their signatures, shall be provided to the custodian bank and the depository banks.
    e. Trade instructions to the custodian banks shall be made for all investment purchases or sale transactions, either by electronic transmission or facsimile.
    f. Collateralized certificates of deposits and Teeter Notes shall be safe kept in the County Treasurer's vault.

(Administration, Controls, and Oversight – Continued)

12. Competitive Bidding
    All investment transactions shall be made through the use of competitive bids whenever possible. If the solicitation of competitive bids is not feasible or practical, the reason will be stated in the transaction documentation.

13. Documentation
    Procedures and forms have been created and are used which produce documentation to facilitate:
    i. Clear and concise audit trails for all transactions.
    ii. Strong internal controls.
    iii. Evidence of the use of competitive bidding or written explanation for non-compliance to the competitive bid process.
    iv. Written criteria for the selection of the investment type.

14. Terms for Combined Pool Deposits and Withdrawals
    a. CGC §27133 and §27136 require the County Treasurer through this Policy to define the limits and conditions under which local agencies having their money in the Combined Pool may deposit and withdraw their funds for investment purposes. Per CGC §53607, the County Treasurer is the final authority as to how funds, which the County Treasurer is held responsible for overseeing, are to be invested. The County Treasurer shall take into account the current financial condition of the sum total of the Combined Pool's agencies, market conditions, as well as the cash flow projections and the potential for changes in the Combined Pool's cash needs. The County Treasurer shall protect the earnings of each individual local agency in the Combined Pool, and see that decisions are made that treat all Combined Pool participants in a fair and equitable manner.
    b. Should a legislative body of a local agency determine that certain funds would 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. The County Treasurer may specify terms and conditions for such an investment.
    c. Funds will be accepted at all times, in the manner prescribed, from those 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 Combined Pool. Interest shall be earned based on the average daily balance apportioned on a quarterly basis.
    d. Local agencies from outside the County may not deposit funds in the Combined Pool unless the County Treasurer deems such participation to be in the best interest of the County. If the participation of such an entity is in the best interest of the County, the County Treasurer will establish terms of participation (limits, fees, interest, etc.) and the agency shall be required to submit to those terms and sign a contract prior to any of its funds being accepted into the Combined Pool.

(Administration, Controls, and Oversight – Continued)

e. Funds from local agencies within the County, not required by statute to deposit their excess funds in the Combined Pool, and wishing to participate in the Combined Pool, may be accepted if the County Treasurer is assured that these funds are in lieu of longer-term investments. Such funds are subject to withdrawal restrictions for a set minimal term to be agreed upon prior to the funds being accepted into the Combined Pool and may only be withdrawn subject to the conditions described in Section 15 below.
   i. These terms will be agreed to, and contracts signed prior to any such funds being accepted into the Combined Pool.
   ii. Specific investments are not normally permitted with such funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

15. Withdrawal of Funds
   a. For <u>normal operations</u>, the Combined Pool's cash management plan provides for adequate liquidity to cover day-to-day operations of the fund's participants. The County Treasurer will consider all requests to withdraw funds for normal operations at a one-dollar net asset value. To accommodate large withdrawals that exceed those normally associated with operations, the following written notification requirements shall be followed to allow for adjustments to the liquidity position of the Combined Pool.
      i. Withdrawals of up to $1,000,000: 24 hours.
      ii. Withdrawals of up to $5,000,000: 48 hours.
      iii. Withdrawals of $5,000,001 and above: 72 hours.
   b. For <u>investment purposes</u> outside the Combined Pool, the County Treasurer shall provide a form to agencies requesting withdrawal of funds for investment purposes (see Appendix C). The County Treasurer expresses no opinion on the suitability of any investment contemplated in connection with withdrawals for investment purposes and requires a resolution approving the withdrawal from the agency’s governing board.
      i. Withdrawals of up to $5,000,000: submit request form and approved resolution 10 calendar days prior to withdrawal date.
      ii. Withdrawals of $5,000,001 and above: submit request form and approved resolution 20 calendar days prior to withdrawal date.
   c. The County Treasurer will assess the effect of a proposed withdrawal on the stability and predictability of the remaining investments in the Combined Pool, based on such factors as:
      i. Size of the withdrawal.
      ii. Size of the remaining balances of the Combined Pool and the agency requesting the withdrawal.
      iii. Adequacy of remaining balances in the Combined Pool to cover costs.
      iv. Current market conditions.

(Administration, Controls, and Oversight – Continued)

v. Effect on predicted cash flows.
vi. Adequate information supplied to the County Treasurer in order to make a proper finding that other Combined Pool participants will not be adversely affected. If the County Treasurer finds that a withdrawal will adversely affect other participants, the County Treasurer may approve the withdrawal if the County Treasurer and the requesting agency arrive at an agreement that will negate this effect.

d. Once the funds are withdrawn from the Combined Pool, the agency assumes full responsibility for its investments, and for establishing appropriate policies governing them. Each member of the governing body of the agency also assumes personal liability and responsibility for maintaining the prudent investor standard, per CGC §53600.3. The County Treasurer does not direct or set rules on such policies or the investments of these funds.

16. External Oversight: County Treasury Oversight Committee (CTOC)

a. Pursuant to CGC §27130 et seq., the County Board of Supervisors, in consultation with the County Treasurer, created a CTOC. In compliance with CGC §27132 and County Board of Supervisors Resolution 96-47, subsequently superseded by Resolution 2007-303, the CTOC shall consist of five members nominated by the County Treasurer and confirmed by the County Board of Supervisors. The members are:
   i. The County Auditor-Controller.
   ii. A representative appointed by the County Board of Supervisors.
   iii. The County Superintendent of Schools or their designee.
   iv. A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County.
   v. One member of the public with expertise in, or academic background in, public finance.

b. Per CGC §27133 and §27134, the CTOC shall:
   i. Review and monitor the County Treasurer's annual Investment Policy and any subsequent changes thereto, prior to its submission to the County Board of Supervisors for review and adoption.
   ii. Monitor the Combined Pool investment portfolio reports and the portfolio's compliance with law and this Policy.
   iii. Cause an annual compliance audit to be conducted on the Combined Pool, by contracting the services of the County's contracted external auditors, an independent certified public accountant separately contracted by the CTOC, or any combination thereof. Results of this audit shall be presented to the County Board of Supervisors.

(Administration, Controls, and Oversight – Continued)

c. Nothing in this Policy shall be construed to allow the CTOC to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

17. External Oversight: Quarterly Review
    a. The County's external auditors shall perform a quarterly audit of the County Treasurer's statement of assets in the County Treasury per CGC §26920. This audit shall verify that the records of the County Treasurer are reconciled and confirm compliance with federal, state, local laws and regulations, and this Policy. Exceptions shall be noted and reported to the County Treasurer and the County Board of Supervisors.
    b. The CTOC members shall be provided with the County Treasurer's Quarterly Report of Investments, for purposes of facilitating their review thereof.

18. External Oversight: Annual Review
    a. The CTOC shall cause an annual compliance audit on this Policy to be conducted per Section 16.b.iii above.
    b. Independent certified public accountants shall perform an annual audit of the books of accounts, financial records, and transactions of all offices of the County, including the County Treasurer.
    c. This Policy shall be presented annually to the County Board of Supervisors for their review and approval at a public meeting.

19. Time and Place of Investing
    Investing will be done on business days during the hours of 6 a.m. and 5 p.m. at the Office of the County Treasurer. The County Treasurer can make exceptions during emergencies or in the best interests of the County.

20. Employee Procedures for Reporting Violations
    Violations of any laws, rules, or regulations with regard to the investment of the money on deposit in the County Treasury are to be reported to the appropriate authority. Any such reporting will not be the subject of adverse action to the employee(s) making such report. A reference list of appropriate authorities can be found in Appendix E.

21. Public Inquiry
    Transactions, holdings, and activities are a matter of public record. Reports are available to the public on the County's website 24 hours a day, 7 days a week.

22. Disaster / Business Continuity Plan
    a. The goal of the Disaster Recovery Plan is to protect all funds deposited with the County Treasury and allow designated personnel to perform the banking and

(Administration, Controls, and Oversight – Continued)

investment functions to meet the needs of Combined Pool participants if an emergency disrupts normal operations.

b. Each member of the investment team is provided with the Disaster Recovery Plan that includes the following information:
   i. Contact information for key personnel, authorized banks, and broker/dealers.
   ii. A copy of this Policy.
   iii. The County Treasurer's written policies and procedures.
   iv. Forms and Information.
c. Normal processes may be modified to accommodate the emergency situation. However, the investment restrictions in this Policy and the County Treasurer's written policies and procedures will be strictly followed.
d. Emergency conditions allowing, at least two authorized members of the investment team will meet at an agreed upon location as determined by the County Treasurer.

Investments

23. Authorized Securities Brokers/Dealers and Depository Institutions
    a. The County Treasurer's intent is to enter into long-term relationships with Securities Brokers/Dealers and Depository Institutions. Therefore, the integrity of the firm and the personnel assigned to the County Treasury's account is of primary importance.
    b. Securities Brokers/Dealers must:
        i. Be designated as a "Primary Dealer" by the Federal Reserve Bank of New York or confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.
        ii. Ensure that the assigned staff members must complete a Brokers Agreement, which shall remain in effect until revoked, stating in writing their acceptance and understanding of this Policy.
        iii. Provide related services that will enhance the account relationship, which could include an active secondary market for its securities, internal credit research analysis on the securities offered for sale, willingness to purchase securities from the Combined Pool, capability of providing market analysis, economic projections, newsletters, or other services.
        iv. Provide the County Treasurer with annual financial statements and demonstrate a stable financial condition.
        v. Have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the broker/dealer.
        vi. Process all transactions on a "delivery vs. payment" basis or for repurchase agreements, on a tri-party or bi-party basis.
        vii. Have been in operation for more than five (5) years.
        viii. Deliver all securities to the County Treasurer's custodian bank. (The County Treasurer is prohibited from establishing a broker/dealer account for the purpose of holding the County's securities.)
    c. Repurchase Agreement Counterparties will be limited to either of the following:
        i. Primary government securities dealers who report daily to the Federal Reserve Bank of New York.
        ii. Banks, savings and loan associations, or diversified securities broker-dealers subject to regulation of capital standards by any State or Federal regulatory agency.
    d. CGC §27133(c) prohibits the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the County Treasurer, any member of the governing board of the County or depositing local agency, or any candidate for those offices.

(Investments – Continued)

e. Depository Institutions
   i. The County Treasurer shall consider and monitor the credit worthiness and approve each depository institution maintained on the authorized list which he or she determines is in the best interest of the County. For a nationally or state-chartered bank, savings bank, savings association, federal association, and credit union, the County Treasurer will consider the following:
      1. Strong capitalization:
         a. Total risk-based capital ratio of at least 10%.
         b. Common equity tier 1 risk-based capital ratio of at least 6.5%.
         c. Tier 1 risk-based capital ratio of at least 8%.
         d. Tier 1 leverage ratio of at least 5%.
         e. Not subject to directive, order, or written agreement to meet and maintain specific capital levels.
      2. Low exposure to non-performing loans: Total Asset Classification Ratio below 40%.
      3. Favorable credit ratings from nationally known ratings agencies.
      4. Consistent profitability.
      5. Meets banking requirements of the County Treasurer (i.e., electronic handling of deposits and redemption of maturing deposits).
      6. Meets other criteria deemed appropriate by the County Treasurer.
      7. Has received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low and moderate-income neighborhoods, pursuant to governmental regulations.
   ii. Depository Institutions may act as Securities Brokers/Dealers by adhering to the criteria in Section 23b.ii to b.viii above.

24. Trading and Early Sales of Securities
    Investments are to be purchased with the intent of holding the security to maturity. Trading of any security before maturity requires written authorization by the County Treasurer.

25. Authorized Investments, Limits, and Restrictions
    a. The investment of money on deposit in the County Treasury is limited to those investments specified by CGC §53601 and §53635.
    b. This Policy further restricts allowable investment types, maximum amounts, maximum ratios, and maximum maturities as outlined in the Summary of Investment Restrictions included herein.

(Investments – Continued)

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(Investments – Continued)

Summary of Investment Restrictions

Source of Restrictions →	California Government Code (CGC)				San Luis Obispo County Investment Policy		
Exceptions to Policy →	Exceptions Not Allowed				Written Approval of County Treasurer		
Investment Type (1)	CGC Section	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)
U.S. Treasury Notes	53601 (b)	100%		5 years	100%		5 years
U.S. Treasury Bonds	53601 (b)	100%		5 years	100%		5 years
U.S. Treasury Bills	53601 (b)	100%		5 years	100%		5 years
Cash Management Bills	53601 (b)	100%		5 years	100%		5 years
Federal Agency or U.S. Government-Sponsored Enterprise (GSE) obligations (4)	53601 (f)	100%		5 years	30% each		5 years
Bankers' Acceptances – Domestic (A)	53601 (g)	40%	30%	180 days	30%	10%	180 days
Bankers' Acceptances – Foreign (A)	53601 (g)		30%	180 days	10%	4%	90 days
Commercial Paper (B)	53601 (h) 53635 (a)	40%	10%	270 days	15%	5%	90 days
Repurchase Agreements(C)	53601 (j)	100%		1 year	15%		30 days
Pledged Funds held by a trustee or fiscal agent (D)	53601 (m)	100%		5 years	100%		5 years
State of California Local Agency Investment Fund (LAIF) (E)	16429.1	100%		N/A	20%		On Demand
Public Investment Money Market Accounts (PIMMAs)(Collateralized) (5)	53631 et seq.			N/A	50%	20%	On Demand
Supranationals (F)	53601 (q)	30%		5 years	30%	10%	5 years
Investments Which Must Have Specific Written Approval of the County Treasurer for Each Type of Investment							
Bonds Issued by the County of San Luis Obispo	53601 (a)	100%		5 years	10%		1 year
Registered California State Warrants, or Treasury Notes, or Bonds	53601 (c)	100%		5 years	10%		1 year
Registered Treasury Notes, or Bonds of any of the other 49 states	53601 (d)	100%		5 years	5%		1 year
Bonds, Notes, Warrants or other evidence of indebtedness of any local agency in California	53601 (e)	100%		5 years	10%		1 year
Negotiable CD (Not Collateralized)	53601 (i)	30%		5 years	5%	1%	1 year
Collateralized Certificates of Deposit (7)	53631 et seq.	50%		5 years		1%	90 days
Certificate of Deposit Account Registry Service (CDARS) (8)(G)	53601.8 53635.8			5 years	15%	1%	1 year
FDIC Insured Placement Service Deposits (6)(G)	53601.8 53635.8			N/A	15%		On Demand
Medium-term Notes (H)	53601 (k)	30%		5 years	15%	4%	4 years
Money Market Mutual Fund (Shares of Beneficial Interest) issued by diversified management companies	53601 (l)	20%	10%	On Demand	15%	10%	On Demand
Money Market Mutual Fund (Shares of Beneficial Interest) issued by a Joint Powers Authority	53601 (p)	100%			20%	20%	
Joint Powers Authority Pool	53601 (p)	100%		On Demand	20%	20%	
Notes, Bonds, or other obligations collateralized per CGC §53651 and §53652	53601 (n)	100%		5 years	5%		1 year
Mortgage Pass-through Security, Collateralized Mortgage Obligations,	53601 (o)	20%		5 years	5%		1 year

(Investments – Continued)

Source of Restrictions →	California Government Code (CGC)				San Luis Obispo County Investment Policy		
Exceptions to Policy →	Exceptions Not Allowed				Written Approval of County Treasurer		
Investment Type (1)	CGC Section	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)
mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond (9)(I)							
Investments Not Allowed in the Investment Policy							
Reverse Repurchase Agreements	53601 (j)	20%		92 days			
Securities Lending Agreements	53601 (j)			92 days			

Footnotes:

(1) See appendix for definitions of investment types.

(2) Where a percentage limit is specified, that limit is applicable on the date of purchase. For purposes of limits on daily investments, the purchase is considered to be made when the deposit is made into the daily investment account, and not each individual day thereafter. Daily Investments are those where the entire balance is subject to daily withdrawal. Even though there may be no change in a daily investment's account balance, it is considered to be "renewed" daily. These investments currently include PIMMAs, LAIF, Joint Powers Authority Pool and FDIC Placement Service Deposits.

(3) Per CGC §53601, the San Luis Obispo County Board of Supervisors has the authority to allow investments with maturities over 5 years on an exception basis.

(4) Federal Home Loan Banks, Federal Farm Credit Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and others.

(5) PIMMAs are interest-bearing active bank accounts, which by code are considered depository accounts, not investments. However, because these accounts are part of the County's investment pool, they are treated as investments for reporting purposes. PIMMAs are fully liquid and collateralized by eligible securities per CGC §53651 et seq.

(6) FDIC Insured Placement Service Deposits are single large deposits distributed into individual deposits of less than $250,000 each with banks that participate in the placement service network. As a result, full FDIC insurance is maintained. These accounts are fully liquid interest-bearing bank accounts, which by code are considered depository accounts, not investments. However, because these accounts are part of the County's investment pool, they are treated as investments for reporting purposes.

(7) Collateralized to secure deposit in excess of the limit covered by FDIC.

(8) Deposits placed through CDARS are distributed into individual Certificates of Deposit (CD) of less than $250,000 each that are fully FDIC insured and placed through a network participating bank that uses the CD Account Registry Service, a private entity that assists in the placement of the individual CDs.

(9) The County Treasurer may invest or direct the investment of these funds when authorized to do so by the County Administrative Officer or the County Board of Supervisors.

Notable Other Restrictions:

(A) Must have the highest short-term credit rating of a NRSRO.

(B) Must be of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall meet all the conditions in either paragraph (1) or (2) of CGC §53601 (h). At time of purchase, issuer must be on the County Treasurer's "Approved Commercial Paper Issuers List".

(C) Market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Maturity limitation of 5 years at the date of purchase does not apply to securities underlying a repurchase agreement. Other restrictions same as underlying securities. The tri-party repurchase agreement between the County Treasurer, the seller, and the custodian or the bi-party repurchase agreement between the County Treasurer and the seller, must be on file in the County Treasurer's Office before conducting repurchase transactions covered by the agreement.

(D) May be invested per specific statutory provisions or in accordance with the ordinance, resolution, indenture, or agreement of a local agency providing for the issuance.

(E) Subject to LAIF restrictions; as of 1/01/20, limited by LAIF to a maximum of $75 million.

(F) Maximum remaining maturity of 5 years or less, eligible for purchase and sale within the United States, and must have a rating of "AA" or better by an NRSRO.

(G) Does not require specific written approval of the County Treasurer for each investment but is listed with the collateralized CDs because CDARS and FDIC Insured Placement Service Deposits are subject to the 50% limit of the portfolio set forth in CGC §53601.8. The portfolio % increased from 30% to 50% on 1/1/20 and will revert to 30% on 1/1/26.

(H) Must be issued at a fixed rate. Maturities over 1 year must have a minimum rating of "AA" by S&P, "Aa1" by Moody's, or "AA" by Fitch.

(I) Securities eligible for investment shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a NRSRO and rated in a rating category of "AA" or its equivalent or better by a NRSRO.

Bank Accounts

26. Governing Code and Policy
    Bank accounts, where withdrawals can be made at any time without notice, are not covered by the investment limits and restrictions contained in this Policy, but are subject to CGC §53630, et seq. For sake of clarity and to allow a comprehensive view of the County Treasurer's Combined Pool management strategies, the following policies apply, in addition to applicable government codes, to bank deposit accounts. The County Treasurer will determine the optimal use and mix of bank accounts and investments in executing the Combined Pool's objectives of safety, liquidity, and yield, in the best interests of the County.

27. Fee Credits
    a. Based on average balances maintained, many banks offer credits against banking fees. For checking and other transactional bank accounts, which do not earn interest, the effective return offered through fee credits on average balances may at times be superior to traditional investment alternatives.
    b. The County Treasurer's policy regarding bank account balances therefore shall be to optimize those balances based on a risk-adjusted net rate of return, with fee avoidance being considered a cash return, relative to other investments.

28. Public Investment Money Market Accounts (PIMMAs)
    a. A PIMMA is a bank deposit account which is collateralized per CGC §53651 and §53652. These accounts are bank accounts by code, not investments. Nevertheless, the County Treasurer's policy shall be to treat them as investments for purposes of management, internal controls, oversight, and portfolio statistics.
    b. Unlike typical investments, funds may be withdrawn at any time without a dollar limit or penalty, but the number of withdrawals per month is usually limited.
    c. Further, any bank accepting a deposit of public funds must pledge securities as collateral pursuant to CGC §53651 and §53652 to secure the principal balance.
        i. The securities must be held in trust for safekeeping by an independent third-party custodian.
        ii. The market value of the securities to be held in trust depends on the type of securities but is typically 110% of the principal balance.
        iii. Other conditions and restrictions apply as specified by the above code sections.
    d. PIMMAs offer multiple levels of safety to protect County funds. The first level of protection is the bank's own assets and equity. However, if those were inadequate and the bank failed, then the FDIC typically orchestrates efforts to find a purchaser or other solution to make depositors whole, and if that also was inadequate, then per CGC §53665, the County Treasurer could demand the custodian to convert the pledged securities to cash for the benefit of the County.

(Bank Accounts – Continued)

e. Multiple levels of safety, combined with daily liquidity, makes these accounts very attractive, provided the interest rate, which varies widely from bank to bank, is acceptable.
f. Each new PIMMA deposit must be approved by the County Treasurer and must have required documentation pursuant to US Code Title 12, §1823(e), including acknowledgment of the collateralization by a certificate of the secretary of the Board of Directors of the bank.
g. The County Treasurer's policy regarding PIMMAs shall be to use these accounts when the characteristics of safety, liquidity, and yield are favorable compared to traditional investments.

29. FDIC Insured Placement Service Deposits
    a. FDIC Insured Placement Service Deposits are interest-bearing active bank deposit per CGC §53644, not investments. The County Treasurer's policy shall be to treat these accounts as investments for purposes of management, internal controls, oversight, and portfolio statistics.
    b. This account is similar to a Certificate of Deposit Account Registry Service (CDARS) account, where a single large deposit is placed through a pass-through bank into individual deposits of less than $250,000 each with banks that participate in the placement service network. As a result, full FDIC insurance is maintained. Unlike a CDARS account, however, the full balance may be withdrawn upon demand without a dollar limit or penalty.
    c. The County Treasurer’s policy shall be to use these accounts when the characteristics of safety, liquidity, and yield are favorable compared to other investments and bank accounts.

30. Use of Local Depositories
    Where practical, reasonable efforts will be made to establish deposit accounts at local depositories headquartered within the County for the purpose of stimulating local economic growth. Preference to local depositories will not be given at the expense of meeting the objectives of this Policy.

Reports

31. Reports, Timing, and Distribution
    a. Reports shall be produced and distributed in accordance with CGC as noted below and by resolutions of the County Board of Supervisors. Additional reports may be produced at the option of the County Treasurer.
    b. A summary of all new investment purchases shall be recorded on the Treasurer's Daily Report (TDR).
    c. A quarterly Interest Letter shall be prepared summarizing interest earned and costs incurred for the quarter and be distributed to the County Administrative Office.
    d. A Quarterly Report of Investments shall be produced no later than the 20th of the month after the end of the quarter, and be distributed to the County Board of Supervisors, the County Treasury Oversight Committee, the County Administrative Officer, and the Combined Pool participants that report to a separate board, e.g., school districts and special districts. The report shall include, but not be limited to, the following information:
        i. The type of investment, name of issuer, date of maturity, par, and dollar amount invested.
        ii. A description of any funds, investments that are under the management of contracted parties.
        iii. The market value as of the date of the report.
        iv. The weighted average maturity of investments within the County Treasury.
        v. Information on separately managed funds, which are County funds outside the control of the County Treasurer.
        vi. A Dollar Factor, which can be applied to pool balances to determine market value.
        vii. A statement by the County Treasurer that the Combined Pool is in compliance with this Policy or the manner in which the Combined Pool is not in compliance.
        viii. A statement by the County Treasurer confirming the County Treasury's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.
    e. For public benefit, the Quarterly Report of Investments shall be posted on the County's website within 20 days following the end of the quarter.
    f. The County Treasurer may include the Quarterly Report of Investments on the Board of Supervisors agenda within 60 days following the end of the quarter covered by the report.
    g. An annual report of cash and investments with deposit and investment credit ratings shall be produced for use in the County's Comprehensive Annual Financial Report, which is audited by independent certified public accountants.
    h. When reports include market values of securities held, the source of those values shall be from any combination of the following:

(Reports – Continued)

i. The custodian bank holding the securities.
ii. Estimates of values received from broker/dealers.
iii. Internal calculations based on the current market rate for a specific instrument as identified in the County Treasurer's written policies and procedures and adjusted for estimated spreads to that instrument.

32. Performance Measurement and Evaluation
    a. In order to evaluate the effectiveness of the County Treasurer in executing this Policy, the following benchmarks will be used:
        i. For safety, an annual rating of the Combined Pool by a Nationally Recognized Statistical Ratings Organization shall be obtained. The benchmark shall be the top rating issued by that organization. Fitch Ratings has been retained for this purpose.
        ii. For yield and liquidity, the benchmark shall be the weighted average days to maturity and the weighted average yield for the State of California Local Agency Investment Fund (LAIF).
    b. Other benchmarks as determined by the County Treasurer.

33. Quarterly Costs and Interest Income Distribution
    a. Interest is earned based on the average daily balance apportioned on a quarterly basis, after deducting costs as allowed by CGC §27013, §53684, and §27135.
    b. Combined Pool income and/or losses will be calculated using the accrual basis of accounting.
    c. Combined Pool income shall be reconciled daily against cash receipts, and quarterly prior to distribution.
    d. All monies deposited in the Combined Pool by the participants represent an individual interest in all assets and investments in the Combined Pool based upon the amount deposited. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the fiscal quarter.
    e. Prior to the quarterly apportionment of the Combined Pool investment income, the County Treasurer is permitted to deduct the actual cost of managing the Combined Pool. Accordingly, the County Treasurer shall deduct the actual cost incurred for banking and investment related services, including but not limited to: banking fees, custodial safekeeping charges, necessary capital outlays, the costs of investment advisory services, credit ratings, and the pro-rata annual cost of the salaries including fringe benefits for the personnel in the County Treasurer's Office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

(Reports – Continued)

f. Administrative costs will be distributed at 50 percent against earnings of non-specific investments, with the remaining 50 percent against earnings of all investments. Banking costs will be distributed at 80 percent against earnings of non-specific investments, with the remaining 20 percent against earnings of all investments.

Appendix A - Common Credit and Debt Ratings and Definitions

Long-Term Debt and Individual Bank Ratings				
Rating Interpretation	**S&P (1)**	**Moody's (1)**	**Fitch (2)**	**Fitch Individual Bank Rating**
Best-quality grade	AAA	Aaa	AAA	A
High-quality grade	AA+ AA AA-	Aa1 Aa2 Aa3	AA+ AA AA-	A A/B B
Upper Medium Grade	A+ A A-	A1 A2 A3	A+ A A-	B B/C B/C
Medium Grade	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	C C/D C/D
Speculative Grade	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	D D D
Low Grade	B+ B B-	B1 B2 B3	B+ B B-	D/E D/E D/E
Poor Grade to Default	CCC+	Caa	CCC	D/E
In Poor Standing	CCC CCC-	- -	- -	D/E D/E
Highly Speculative Default	CC -	Ca C	CC -	D/E E
Default	- - D	- - -	DDD DD D	E E E

(1) Rating for both Long-Term Debt and Individual Banks
(2) Long-Term Debt Rating only

Short-Term Municipal Note Investment Grade Ratings			
Rating Interpretation	**S&P**	**Moody's**	**Fitch**
Superior Capacity	SP-1+/SP-1	MIG-1	F1+/F1
Strong Capacity	SP-2	MIG-2	F2
Acceptable Capacity	SP-3	MIG-3	F3

Short-Term Commercial Paper Investment Grade Ratings			
Rating Interpretation	**S&P**	**Moody's**	**Fitch**
Superior Capacity	A-1+/A-1	P-1	F1+/F1
Strong Capacity	A-2	P-2	F2
Acceptable Capacity	A-3	P-3	F3

Appendix B - Glossary of Selected Financial and Investment Terms

ACCRUED INTEREST - The amount of interest that is earned but unpaid since the last interest payment date.

AGENCIES OR FEDERAL AGENCIES – (See **GOVERNMENT-SPONSORED ENTERPRISES**)

AMORTIZATION – The repayment of a debt through regular installments of principal and interest scheduled over a period of time which is completed by maturity date.

AMORTIZATION SCHEDULE – A complete schedule which contains the periodic debt repayment dates and the total amount of payments with a breakdown of principal and interest.

ASK or ASKED PRICE or ASKING PRICE – The price a seller is willing to accept for a security, also known as the offer price. (Also see **BID**)

BANKER'S ACCEPTANCE - A time draft drawn on a bank and accepted by that bank as ultimate liability for payment. Used most often to finance import and export transactions. Bankers' acceptances are also collateralized by the underlying merchandise being contracted in the import-export transaction, i.e., a shipload of televisions from Japan, or rice from Thailand. With the credit strength of a bank behind it, the banker's acceptance usually qualifies as a money market instrument.

BASIS POINT - One hundredth of a percent. Example: 0.25% is twenty-five basis points.

BID or BID PRICE – The price a buyer is willing to pay for a security. (Also see **ASK**)

BOND - A long-term debt instrument in which the investor lends money to the bond issuer, which agrees to pay a stated rate of interest over a specified period of time at a fixed interest rate. Bonds are commonly referred to as fixed-income securities.

BOND RATING – A grade given to bonds that indicates their credit quality. Bond ratings are issued by various Nationally Recognized Statistical Rating Organizations (NRSROs) which provide their evaluations of a bond issuer's financial strength, or its ability to pay timely a bond's principal and interest.

BOOK ENTRY - The system maintained by the Federal Reserve, by which securities are delivered, electronically, to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire system.

(Glossary – Continued)

BOOK VALUE - The value an investor holds on their books as their invested amount in a security. This may be more or less than the current face value of the security, depending on if the security was purchased at a price more or less than the face value.

BROKER - A financial institution that facilitates transactions by matching up buyers and sellers. A broker does not buy securities for inventory purposes. (Also see **DEALER** and **PRIMARY DEALER**)

CALLABLE SECURITIES - A callable security is a bond, preferred stock, or debenture, which may be redeemed or "called" by the issuing company prior to its maturity. The company may have the right to redeem all or part of the debt. Usually done by the company when interest rates drop or when the company can refinance their debt at a lower interest rate.

CASH (SETTLEMENT) – Regarding the settlement date on the purchase of a security, a "cash settlement" is one where the delivery of securities and settlement of the transaction occurs on the same date that the trade is made.

CASH MANAGEMENT BILLS (CMB) - Short-term obligations of the United States Government, sold at a discount from their face value. The discount rate is determined at auction. The U.S. Treasury issues CMBs which range from as little as four days to several months. A CMB is the most flexible instrument of the U.S. Treasury because this can be issued on an as-needed basis to meet temporary shortfalls, in contrast to a regular schedule that the Treasury follows for issuing its other bills and notes. CMBs tend to pay higher yields than bills issued on a regular schedule.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS) - CDARS is a service operated by Promontory Financial Network, an independent private sector company. About 3,000 banks participate in the CDARS network. After a deposit for investment is made with one participating network bank, that bank uses the CDARS service to distribute those funds into individual CDs issued by other members of the CDARS Network. Each such CD is issued in an amount below the standard FDIC insurance maximum ($250,000) so that both principal and interest are eligible for FDIC insurance. The original bank or institution receiving the deposit provides a single statement and reporting to the depositor. The actual CDs are held by a separate custodian bank for safekeeping. More information can be found at www.cdars.com.

CERTIFICATE OF DEPOSIT (CD) - A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CD." Institutional CDs are usually issued in denominations of $100,000 or more. Maturities range from a few weeks to several years. Interest rates are set by competitive forces in the market. (Also see **NEGOTIABLE CERTIFICATES OF DEPOSIT**)

(Glossary – Continued)

COLLATERAL - Assets or securities which are used to secure a loan or deposit. In the event of default, the lender or depositor assumes ownership of the asset or securities. When securities are used as collateral for government deposits, they must comply with California law.

COLLATERALIZED DEBT OBLIGATIONS OR CDOs – Investment grade securities backed by a pool of bonds, loans, and other assets. CDOs do not specialize in one type of debt but are often non-mortgage loans or bonds. CDOs have a similar structure to collateralized mortgage obligations but are unique in that they represent different types of debt and credit risk. These different types of debt are often referred to as "tranches" or "slices". Each slice has a different maturity and risk associated with it. The higher the risk, the more the CDO pays.

COLLATERALIZED MORTGAGE OBLIGATIONS OR CMOs - Debt obligations issued by a special purpose entity that are collateralized by and payments linked to a pool of mortgages or mortgage-backed securities. The special purpose entity (usually a trust) is set up by the sponsor who owns the loans. A different entity purchases a group of mortgages using the proceeds of an offering of securities collateralized by the mortgage (CMOs). The trustee (the issuer) uses the underlying cash flows or the collateral to fund the debt service on the CMOs. The CMOs are priced based on their own maturity and rate of return rather than that of the underlying mortgages.

COMBINED POOL - The County maintains a combined pool with cash and investments which provide cash flow for the funding needs of the participants. Participants include County departments, agencies, schools, and special districts. The combined pool is managed by the San Luis Obispo County Treasurer. The combined pool portfolio is carried at amortized cost and includes accrued interest. By pooling their funds, participants benefit from lower management and investment costs.

COMMERCIAL PAPER - Short-term unsecured obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with idle cash. Such instruments are usually discounted, although some are interest bearing. It is issued only by top rated companies and is nearly always backed by bank lines of credit. Ratings are assigned by a Nationally Recognized Statistical Rating Organization (NRSRO).

CONFIRMATION - Formal memorandum from a broker/dealer to the County Treasury giving the details of a securities transaction, i.e., purchase or sale. The confirmation is compared to the investment tracking system by authorized staff not directly supervised by investment personnel. Discrepancies shall be referred immediately to a Deputy County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction). (See **DISCREPANCY**)

COUNTERPARTY – The other party that participates in a financial transaction. For example, a buyer of a security must be paired up with a seller that is willing to sell and vice versa.

(Glossary – Continued)

COUPON OR COUPON RATE - The stated rate of interest on a bond. Stated as a percentage of par (face value). For example, a $1 million bond with a 6% coupon rate pays $60,000 interest annually. Treasury bond coupons are usually set to pay every six (6) months, so in this case, there would be two (2) coupons per year, each of which is $30,000 interest payment.

CREDIT RISK – The risk that an issuer or other counterparty to an investment will not fulfill its obligation.

DEALER - A financial institution that participates in the financial markets by taking securities (usually in extremely large volumes) into inventory from which they are later sold. (Also see **BROKER** and **PRIMARY DEALER**)

DEFAULT - The failure to pay debt obligations as agreed in the terms of the debt.

DELIVERY VS. PAYMENT (DVP) - Refers to the practice of using an escrow procedure to process a transaction through a third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met. In other words, payment will not be forwarded to the seller until securities have been delivered and vice versa.

DERIVATIVE - An investment whose characteristics and value are based on the performance of an underlying financial asset, index, or other investment. Derivatives include inverse floaters, range notes, or mortgage derived, interest-only strips and any security that could result in zero interest if held to maturity.

DISCOUNT – When a security is sold for less than its par or face value, it is said to be sold at a discount. The discount is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of $1,000,000 is selling for $998,000, it is selling at a discount of $2,000.

DISCREPANCY – Regarding the purchase of a security, a difference or variance from what is expected or stated. Any of the following discrepancies found in the County Treasury investment confirmation process are referred immediately to a Deputy County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction). (See **CONFIRMATION**)

A. Description of a security
B. Broker information
C. Purchase or maturity date
D. Full value of a security
E. Purchase price
F. Interest amount
G. Confirmation not received within ten (10) business days

(Glossary – Continued)

DIVERSIFICATION - The spreading of risk by investing in a variety of securities offering independent returns.

FACE VALUE – The amount the issuer agrees to pay upon maturity. The same as par value or maturity value.

FDIC INSURED PLACEMENT SERVICE DEPOSITS – FDIC Insured Placement Service Deposits are interest-bearing bank deposit, and per CGC §53644, is not an investment. This account is similar to a Certificate of Deposit Account Registry Service (CDARS) account, where a single large deposit is placed through a pass-through bank into individual deposits of less than $250,000 each, with participating banks. As a result, full FDIC insurance is maintained. Unlike a CDARS account, however, the full balance may be withdrawn upon demand without a dollar limit or penalty.

FED WIRE SYSTEM - The national banks system for moving money and securities.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (Farmer Mac) - A government-sponsored enterprise which is stockholder-owned, publicly traded company that was chartered by the United States Federal Government in 1988 to serve as a secondary market in agricultural loans such as mortgages for agricultural real estate and rural housing.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) - A federal agency created by Congress in 1933 to maintain stability and public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships. The current standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

FEDERAL FARM CREDIT SYSTEM (FFCB) - The oldest government-sponsored enterprise created by Congress in 1916, this nationwide system of banks and associations provides mortgage loans, credit and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. Currently, there are four (4) Farm Credit Banks and one (1) Agricultural Credit Bank which provide funds and support services to approximately 94 locally owned Farm Credit Associations and numerous cooperatives nationwide. Farm Credit Banks Consolidated Systemwide Debt Securities are issued through the Farm Credit Banks Funding Corporation. Both discount notes and bonds are issued.

FEDERAL HOME LOAN BANK (FHLB) - A government-sponsored enterprise which consists of a system of regional banks, created in 1932, which are owned by private member institutions and regulated by the Federal Housing Finance Board (FHFB). Functioning as a credit reserve system, they facilitate extension of credit through owner-members in order to provide access to housing

(Glossary – Continued)

and to improve the quality of communities. On July 30, 2008, the Housing and Economic Recovery Act of 2008 became law which replaced the FHFB with the Federal Housing Finance Agency (FHFA) as the FHLB's regulator. Both discount notes and bonds are issued.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac) - A government-sponsored enterprise which is stockholder-owned, publicly traded company established by Congress in 1970 to provide a continuous flow of funds to mortgage lenders, through developing and maintaining an active nationwide secondary market in conventional residential mortgages to provide opportunities for homeownership and affordable rental housing across the nation. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed the FHFA as the conservator of Freddie Mac. Both discount notes and bonds are issued.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae) - A government-sponsored enterprise which is stockholder-owned, publicly traded company established as a federal agency in 1938 and chartered by Congress in 1968 to promote a secondary market for conventional, Federal Housing Administration, and Veterans Administration single and multi-family mortgages. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed FHFA as the conservator of Fannie Mae. Both discount notes and bonds are issued.

FEDERAL RESERVE (BANK) SYSTEM - System established by the Federal Reserve Act of 1913 to regulate the U.S. monetary and banking system. It is the central bank of the United States which is composed of a central governmental agency in Washington, D.C. (the Board of Governors) and 12 regional Federal Reserve Banks in major cities throughout the United States.

FINANCIAL INSTITUTION - An institution with which the County Treasurer engages to purchase or sell securities.

FITCH RATINGS (FITCH) - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae) - A wholly owned corporation within the United States Department of Housing and Urban Development and created by the United States Federal Government through a 1968 partition of the Federal National Mortgage Association to provide financial assistance to low to moderate income homebuyers, by promoting mortgage credit. GNMA issues long-term debt backed by mortgages with repayment guaranteed by the U.S. Government.

GOVERNMENT-SPONSORED ENTERPRISES (GSE) - A general term for several privately owned, publicly chartered agencies created to reduce borrowing costs for certain sectors of the economy such as agriculture and home finance. The GSEs that issue debt instruments include Federal

(Glossary – Continued)

Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit System, and Federal Agricultural Mortgage Corporation.

INFORMAL COMPETITIVE BID - A verbal or written bid submitted to the County Treasury by a broker/dealer for a specific security issue at a specific price or yield.

INTEREST - The amount earned while owning a debt security or interest-bearing active deposit account, generally calculated as a percentage of the principal.

INVERTED OR NEGATIVE YIELD CURVE - A normal yield curve occurs when progressively long-term securities offer higher yields. When long-term securities offer lower yields than short-term securities, the yield curve is said to be inverted or negative. An inverted yield curve may predict economic recession.

INVESTMENT GRADE - A rating that indicates that a corporate or municipal bond has a relatively low risk of default. Investment grade usually includes only the top three rating categories of the nationally recognized statistical rating organizations.

ISSUER - Legal entity that has the power to issue and distribute a security. Issuers include corporations, municipalities, foreign and domestic governments and their agencies, and investment trusts.

LETTER OF CREDIT - An instrument issued by a bank guaranteeing the payment of a customer's obligations up to a stated amount for a stated period of time. These instruments are widely used in the financing of international trade.

LIQUIDITY - For an entity, its cash and marketable security position with respect to its short-term debt obligations. For an individual asset, the ability to sell the asset at a reasonable price on short notice. It is also the ability to meet cash requirements by structuring the portfolio so that maturities meet anticipated cash flow needs as well as unanticipated cash flow needs by including marketable securities in the portfolio.

LOCAL AGENCY – A county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LONDON INTERBANK OFFERING RATE (LIBOR) - The rate of interest that the most creditworthy international banks dealing in the London interbank market charge each other for large loans.

MARKET VALUE - The price at which a security is trading and could presumably be purchased or sold.

(Glossary – Continued)

MARKETABLE SECURITIES - Marketable securities are securities that are easily sold. They are assets that can be readily converted into cash, i.e., Treasuries, Agencies, Bankers' Acceptances, and Commercial Paper.

MATURITY DATE - The date on which the issuer or borrower repays the principal in total. Either paid in a lump sum at the maturity date or the final payment date on amortized debt.

MEDIUM-TERM NOTES (MTNs) – Corporate notes usually with maturities from five (5) to ten (10) years and are offered by a company through a dealer. This type of debt program is used by a company to tailor its debt issuance to meet its financing needs. MTNs can be issued on a fixed or floating rate basis.

MOODY'S INVESTORS SERVICE, INC. (MOODY'S) - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

MONEY MARKET MUTUAL FUNDS - An investment fund that holds the objective to earn interest for shareholders while maintaining a net asset value of $1 per share. Mutual funds, brokerage firms, and banks offer these funds. Portfolios are comprised of short-term (less than one year) securities representing high quality, liquid debt, and monetary instruments.

MORTGAGE-BACKED SECURITIES (MBS) – Are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool. Most MBS are issued by the GNMA, FNMA, and FHLMC. GNMA, backed by the full faith and credit of the U.S. government, guarantees that investors receive timely payments. FNMA and FHLMC also provide certain guarantees and, while not backed by the full faith and credit of the U.S. government, have special authority to borrow from the U.S. Treasury. Some private institutions, such as brokerage firms, banks, and homebuilders, also securitize mortgages, known as "private label" mortgage securities.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO) - Rating agencies whose credit ratings are used under the Security and Exchange Commission's regulations. There are currently ten (10) officially designated NRSROs: A.M. Best Company, Inc., Dominion Bond Rating Service, Ltd., Egan-Jones Ratings Company, Fitch Ratings, HR Ratings de Mexico, S.A. de C.V., Japan Credit Rating Agency, Ltd., Kroll Bond Rating Agency, Inc., Moody's Investor Service, Inc., Morningstar Credit Ratings, LLC, and Standard & Poor's Ratings Services.

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD) - A large dollar amount short-term certificate of deposit with a fixed amount of interest. NCDs are issued by large banks and bought mainly by

(Glossary – Continued)

corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and being negotiable, they enjoy an active secondary market, but cannot be cashed-in before maturity. Although NCDs can be issued in any denomination from $100,000 up, the typical amount is $1 million and frequently in round lots of $5 million. They trade at a discount to the face value which is repaid on maturity. Maturities vary from 14 days to 12 months. (Also see **CERTIFICATE OF DEPOSIT**)

NON-STATUTORY DEPOSITOR - A depositor who is not mandated or legally required to deposit their funds in the County Treasury.

NORTH ARKANSAS V. BARRETT CASE - In April 1992, the U.S. Court of Appeals for the Eighth Circuit handed down its decision in North Arkansas Medical Center v. Barrett. The court's decision focused on the provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, particularly Section 1823(e) of Title 12 of the U.S. Code, specifying that a valid security agreement 1) is in writing, 2) executed by the depository institution and the entity making the claim contemporaneously with the acquisition of the asset, 3) is approved by the board of directors or loan committee of the institution and reflected in the minutes of that group, and 4) has been an official record of the institution continuously from the time of its execution. These requirements must be satisfied if an asset acquired by the receiver of a failed institution is to be subject to the claims of a depositor based on a security interest. The court held that the statutory requirements were not met because the pertinent documents were not executed contemporaneously with the acquisition by the financial institution of the assets and there was no evidence that any security agreement regarding these assets had been approved by the financial institution's directors or loan committee.

PAR VALUE - The same as face value or maturity value.

PUBLIC INVESTMENT MONEY MARKET ACCOUNT (PIMMA) – A PIMMA is a bank deposit which is collateralized per CGC §53651 and §53652. These accounts are bank accounts, not investments. Unlike typical investments, funds may be withdrawn at any time without a dollar limit or penalty, but the number of withdrawals per month is usually limited. PIMMAs offer multiple levels of safety to protect County funds. The first level of protection is the bank's assets and equity. The other protection is the pledged securities that the County Treasurer could demand the custodian to convert to cash in the event of a bank failure where the FDIC is not able to orchestrate a purchase or other solutions to make depositors whole. Each new PIMMA deposit must be approved by the County Treasurer and must have the required documentation pursuant to US Code Title 12, Section 1823 (e), including acknowledgment of the collateralization by a certificate of the secretary of the Board of Directors of the bank.

PORTFOLIO - A group of securities held by an investor.

(Glossary – Continued)

POSITIVE OR NORMAL YIELD CURVE - A yield curve in which short-term interest rates are lower than long-term interest rates. This is the prevailing case most of the time. Changes in the yield curve can be used to interpret market and economic conditions.

PREMIUM – When a security is sold for greater than its par or face value, it is said to be sold at a premium. The premium is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of $1,000,000 is selling for $1,002,000, it is selling at a premium of $2,000. (Also see **DISCOUNT**)

PRIMARY DEALER - Financial institutions so designated by the New York Federal Reserve Bank. Primary dealers must undergo rigorous financial and ethical examination by the New York Federal Reserve Bank to obtain and maintain primary dealership status. They are also expected to provide a market for U.S. Treasury securities and to participate in the Federal Reserve's periodic auction of new issue Treasury securities. The Federal Reserve's purpose in establishing a network of primary dealers is to ensure the efficient and sound marketability of U.S. Treasury securities. Primary dealers include Securities and Exchange Commission registered securities broker/dealers and banks.

PRINCIPAL - The face or par amount of a security not taking into account discounts or premiums. The unpaid amount remaining on amortized debt.

RECEIVABLE-BACKED SECURITIES - Securities collateralized with consumer receivables, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASSTHROUGH CERTIFICATE - A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution.

REGISTERED STATE WARRANT - A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT/TRI-PARTY, OR BI-PARTY - An agreement between a seller and a buyer, usually of government securities, whereby the seller agrees to repurchase the securities at an agreed upon price at a stated time. A TRI-PARTY repurchase agreement is where the purchased securities are held in safekeeping with a custodian other than the seller or the buyer. A BI-PARTY repurchase agreement is one where the purchased securities are in safekeeping with the seller.

RETURN ON AVERAGE ASSETS (ROAA) - ROAA is a measure of profits relative to size that is commonly used in analyzing banks and financial companies. It is calculated by dividing net income by average assets.

(Glossary – Continued)

REVENUE ANTICIPATION NOTES (RAN) - Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Used by agencies having cash flow gaps between revenues and expenses that require short-term interim financing. (Also see Tax Anticipation Notes and Tax and Revenue Anticipation Notes).

REVERSE REPURCHASE AGREEMENT - A sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date.

RISK-ADJUSTED ASSETS - The assets shown in the balance sheet of a bank that have had a risk weighting (percentage weight) applied to them.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD - Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING – Storage and protection of securities provided as a service by an institution serving as custodian where securities are held and registered in the client's name.

SECURITIES AND EXCHANGE COMMISSION (SEC) - Federal agency created by Congress in 1934 to protect investors in securities transactions by administering securities acts. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against malpractice in the securities market.

SECURITIES LENDING AGREEMENT - An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

SETTLEMENT DATE - The date on which a securities transaction will occur and ownership legally changes. (Also see **TRADE DATE**)

SUPRANATIONALS – International development institutions that provide financing, advisory services, and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth. The eight supranationals are: International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Investment Bank (NIB), African Development Bank (AfDB), and Asian Development Bank (ADB). IBRD, IFC, and IADB (also known as the Washington Supras) were established by international treaties known as Articles of Agreement ("the Articles"). The Articles were incorporated into U.S. federal law by Congressional Act which authorized the United States' membership and participation in the

(Glossary – Continued)

institutions. The U.S. Secretary of the Treasury sits on the Board of Governors of each of these institutions. The U.S. government is also the largest shareholder of each. Of the eight supranationals, California Government Code only allows investments in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the IBRD, IFC, or IADB, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States.

STANDARD AND POOR'S RATINGS SERVICES - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION)**

STATUTORY DEPOSITOR – A depositor whose funds are mandated by state statute or other legal requirement to be deposited into the County Treasury.

TAX ANTICIPATION NOTES (TAN) - Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes that are collected in December and April. (Also see Revenue Anticipation Notes and Tax and Revenue Anticipation Notes).

TAX AND REVENUE ANTICIPATION NOTES (TRAN) - Notes issued for 13 months or less. They are a combination of Tax Anticipation Notes and Revenue Anticipation Notes. (Also see Revenue Anticipation Notes and Tax Anticipation Notes).

TIER 1 CAPITAL – For a bank**,** this consists of common stock, non-redeemable non-cumulative preferred stock, and disclosed reserves or retained earnings.

TIER 2 CAPITAL – For a bank, this consists of supplementary capital categorized as undisclosed reserves, revaluation reserves, general provisions, hybrid instruments, subordinated debt, and loan loss reserves.

TIER 1 LEVERAGE RATIO - It is calculated by dividing Tier 1 Capital by its average total consolidated assets.

TIER 1 RISK-BASED CAPITAL RATIO - A core measure of a bank's financial strength. It is also seen as a metric of a bank's ability to sustain future losses. It is calculated by dividing the bank's equity by its total risk-adjusted assets.

TOTAL ASSET CLASSIFICATION RATIO – A measure of the volume of classified assets of the bank relative to the "cushion" of capital that may be used to absorb inherent losses in classified assets. Values for this ratio above 40 to 50 percent often represent less than satisfactory asset quality. It is calculated by dividing Total Adversely Classified Assets (substandard assets, doubtful assets, loss assets) by the total of Tier 1 Capital and Allowance for Loans and Leases Losses.

(Glossary – Continued)

TOTAL RISK-BASED CAPITAL RATIO - A measure of a bank's financial strength, taking into account capital reserves for loans, investments, and certain other items not on the balance sheet. It is calculated by dividing the total of Tier 1 Capital and Tier 2 Capital by risk-adjusted assets.

TRADE DATE - The date that the terms of a securities transaction are agreed upon, including the settlement date. (Also see **SETTLEMENT DATE**)

TREASURER'S DAILY REPORT (TDR) - A report prepared daily by the County Treasury cashier summarizing the day's receipts and disbursements, investment activity, and cash. Month-to-date totals are also reported for receipts and disbursements. The TDR is submitted daily to the County Auditor-Controller.

TREASURY BILL (T-BILL) - Short-term debt obligations of the United States Government, sold at a discount from their face value. They are issued through a competitive bidding process at auctions. The discount rate is determined at auction. The U.S. Treasury issues these bills for terms of 4, 13, 26, and 52 weeks.

TREASURY BONDS - Long-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury bonds earn a fixed rate of interest every six (6) months until maturity and are issued in a term of 30 years.

TREASURY INVESTMENT MANAGEMENT SYSTEM - A database portfolio management system being used by the San Luis Obispo County Treasury that tracks investments and interest-bearing bank accounts in the Combined Pool.

TREASURY NOTES (T-NOTES) - Intermediate-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury Notes earn a fixed rate of interest every six (6) months until maturity and are issued in terms of 2, 3, 5, 7, and 10 years.

Appendix C – Request for Withdrawal from Treasury Pool

COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR
James W. Hamilton, CPA *Auditor-Controller • Treasurer-Tax Collector*

REQUEST FOR WITHDRAWAL FROM TREASURY POOL

Request Date:	Requested Withdrawal Date:
Agency/District:	Amount:
Fund Number:	Fund Name:
Contact Name:	Contact Phone Number:
Comments:	

Submit this request to the County Treasurer:

- If the amount is **under** $5 million, submit request 10 calendar days prior to withdrawal date.
- If the amount is **over** $5 million, submit request 20 calendar days prior to withdrawal date.

Request must be accompanied by a copy of a resolution from the Trustees, the language of which is approved by the County Treasurer, directing the investment, or authorizing an individual to act on behalf of the Trustees.

The San Luis Obispo County Treasurer expresses no opinion on the suitability of any investments contemplated in connection with withdrawals for investment purposes.

Agency/District Authorized Signature:______________________________

Treasurer's Use Only	
Date Received:	Request Approved☐ Request Denied☐
Time Received:	Date Processed:
Received by:	Authorized Signature:
Comments:	

Appendix D – Resolution Authorizing Withdrawal of Funds

____________________(NAME OF AGENCY)
RESOLUTION NO. _______
RESOLUTION AUTHORIZING WITHDRAWAL OF FUNDS
BY THE ______________________(NAME OF AGENCY)
FROM THE COUNTY OF SAN LUIS OBISPO TREASURY COMBINED POOL
FOR INVESTMENT PURPOSES

The following resolution is hereby offered and read:

WHEREAS the ________________(Name of Agency) has maintained its funds in the County of San Luis Obispo Treasury Combined Pool (Combined Pool); and

WHEREAS, pursuant to California Government Code (CGC) §27136, any local agency, public agency, public entity, or public official that has funds on deposit in the Combined Pool, and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the Combined Pool, shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the Combined Pool; and

WHEREAS, the County Treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of CGC §27133, which includes an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Combined Pool; and

WHEREAS, the __________(Agency's Board of Directors or Board of Trustees) certifies that it wishes to withdraw the ___________ (Name of Agency) funds for investment purposes; and

WHEREAS, upon the withdrawal of funds from the Combined Pool for the purpose of investing or depositing outside of the Combined Pool, each member of the Board of Directors or Board of Trustees, or the authorized persons making investment decisions on behalf of the_________(Name of Agency), are trustees and therefore fiduciaries, and are personally liable and responsible for adhering to the prudent investor standard per CGC §53600.3:

"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 person 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;" and

WHEREAS, pursuant to CGC §53646 (a)(2), the treasurer or chief fiscal officer of the ___________(Name of the Agency) shall annually render to the __________(Agency's Board of Directors or Board of Trustees) and any oversight committee, a statement of investment policy, which the ___________ (Agency's Board of Directors or Board of Trustees) shall review and approve at a public meeting. Any change in the investment policy shall also be considered by the (Agency's Board of Directors or Board of Trustees) at a public meeting pursuant to this section.

NOW, THEREFORE, BE IT RESOLVED, that the ___________ (Agency's Board of Directors or Board of Trustees) approves the withdrawal of funds from the Combined Pool for investment purposes.

BE IT FURTHER RESOLVED THAT, ______________(Designated Agency Officer) is authorized to order the withdrawal of funds from the Combined Pool.

Upon motion of __________________, seconded by ________________, and on the following roll call vote to wit:

AYES:
NOES:
ABSENT:
ABSTAINING:
the foregoing resolution is hereby adopted this ______day of _________20__.

____
(President/Chairperson)

ATTEST:

____
(Secretary/Clerk)
APPROVED AS TO FORM AND LEGAL EFFECT:
By: ________________
(Counsel)
Date: ___________

Appendix E - Contact Information for Reporting Violations

Violations of this Policy should first be reported to the Department Head unless he or she is involved.

Procedural violations should be reported to:

County Administrative Officer
1055 Monterey St, Suite D-430
San Luis Obispo, CA 93408
(805) 781-5011.

Criminal violations should be reported to:

San Luis Obispo County District Attorney
1035 Palm St.
San Luis Obispo, CA 93408
(805) 781-5800.

San Luis Obispo Police Department
1042 Walnut St.
San Luis Obispo, CA 93401
(805) 781-7317

COUNTY of SAN LUIS OBISPO

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in San Francisco, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.