PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 2023

NEW ISSUE – BOOK ENTRY ONLY

RATING:
S&P: "A+"
(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 Resolutions 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.

$28,265,000*
SALINAS CITY ELEMENTARY SCHOOL DISTRICT
(Monterey, California)
GENERAL OBLIGATION BONDS,
2022 ELECTION (MEASURE G),
2023 SERIES A

$28,265,000*
SALINAS CITY ELEMENTARY SCHOOL DISTRICT
(Monterey, California)
GENERAL OBLIGATION BONDS,
2022 ELECTION (MEASURE H),
2023 SERIES A

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

The Salinas City Elementary School District (Monterey County, California) General Obligation Bonds, 2022 Election (Measure G), 2023 Series A (the "Measure G Bonds") are being issued by the Salinas City Elementary School District (the "District") to (i) finance the acquisition, construction, furnishing and equipping of District facilities and (ii) to 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 8, 2022 (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 $74,500,000 aggregate principal amount of general obligation bonds of the District (the "Measure G Authorization"). The Measure G Bonds are the first series of general obligation bonds issued under the Measure G Authorization. Subsequent to the issuance of the Measure G Bonds, $46,235,000* principal amount of general obligation bonds will remain for issuance pursuant to the Measure G Authorization. The Measure G Bonds are issued on a parity basis with all other outstanding general obligation bonds of the District, including the Measure H Bonds (defined below).

The Salinas City Elementary School District (Monterey County, California) General Obligation Bonds, 2022 Election (Measure H), 2023 Series A (the "Measure H Bonds" and, together with the Measure G Bonds, the "Bonds") are being issued by the District to (i) finance the acquisition, construction, furnishing and equipping of District facilities and (ii) to pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECTS." The Measure H Bonds were authorized at 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 $75,000,000 aggregate principal amount of general obligation bonds of the District (the "Measure H Authorization"). The Measure H Bonds are the first series of general obligation bonds issued under the Measure H Authorization. Subsequent to the issuance of the Measure H Bonds, $46,735,000* principal amount of general obligation bonds remains for issuance pursuant to the Measure H Authorization. The Measure H Bonds are issued on a parity basis with all other outstanding general obligation bonds of the District, including the Measure G Bonds.

The Bonds are general obligations of the District only and are not obligations of the County of Monterey (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except for 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 February 1, 2024. 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 The Bank of New York Mellon Trust Company, N.A., 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.

The District has applied for insurance to guarantee the scheduled payment of principal of and interest on the Bonds when due under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds.

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 Measure G Bonds and the Measure H Bonds will each be sold to an Underwriter (defined herein) by competitive sale pursuant to the terms of an Official Notice of Sale dated July 25, 2023 for such Bonds. See "METHOD OF SALE" herein.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of 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. 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 August 24, 2023.

The Date of this Official Statement is: __________, 2023

* Preliminary; subject to change.

MATURITY SCHEDULE

$28,265,000*
Salinas City Elementary School District
(Monterey County, California)
General Obligation Bonds,
2022 Election (Measure G), 2023 Series A

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (794879)

$___________ _____% Term Bonds due August 1, 20__; Yield _____% CUSIP 794879

* Preliminary; subject to change.
[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter, or their agents or counsel assumes responsibility for the accuracy of such numbers.

$28,265,000*
Salinas City Elementary School District
(Monterey County, California)
General Obligation Bonds,
2022 Election (Measure H), 2023 Series A

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[2] (794879)

$___________ _____% Term Bonds due August 1, 20__; Yield _____% CUSIP 794879

* Preliminary; subject to change.
[2] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter, or their agents or counsel assumes responsibility for the accuracy of such numbers.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Monterey County, State of California

<u>Board of Education</u>

Amy Ish, *President*
Art Galimba, *Vice President*
Jessica Powell, *Clerk*
Angela Der Ramos, *Member*
Belia Garcia, *Member*

<u>District Administrators</u>
Dr. Rebeca Andrade, Ed.D., *Superintendent*
Nikki Herring, *Interim Assistant Superintendent, Business Services*

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

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

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(continued)

No dealer, broker, salesperson or other person has been authorized by the Salinas City Elementary 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 Monterey, the County of Monterey 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 MONTEREY COUNTY POOLED INVESTMENT FUND."

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.

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

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.

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$28,265,000*	**$28,265,000***
SALINAS CITY ELEMENTARY SCHOOL DISTRICT	**SALINAS CITY ELEMENTARY SCHOOL DISTRICT**
(Monterey, California)	**(Monterey, California)**
GENERAL OBLIGATION BONDS, 2022 ELECTION (MEASURE G), 2023 SERIES A	**GENERAL OBLIGATION BONDS, 2022 ELECTION (MEASURE H), 2023 SERIES A**

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 page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

General

The Salinas City Elementary School District (the "District") proposes to issue $28,265,000* aggregate principal amount of its General Obligation Bonds, 2022 Election (Measure G), 2023 Series A (the "Measure G Bonds") under and pursuant to a bond authorization (the "Measure G Authorization") for the issuance and sale of not more than $74,500,000 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 8, 2022 (the "Election"). The Measure G Bonds constitute the first series of bonds to be issued under the Measure G Authorization. Subsequent to the issuance of the Measure G Bonds, $46,235,000* principal amount of general obligation bonds will remain for issuance pursuant to the Measure G Authorization.

The District proposes to issue $28,265,000* aggregate principal amount of its General Obligation Bonds, 2022 Election (Measure H), 2023 Series A (the "Measure H Bonds" and, together with the Measure G Bonds, the "Bonds") under and pursuant to a bond authorization (the "Measure H Authorization") for the issuance and sale of not more than $75,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at the Election. The Measure H Bonds constitute the first series of bonds to be issued under the Measure H Authorization. Subsequent to the issuance of the Measure H Bonds, $46,735,000* principal amount of general obligation bonds will remain for issuance pursuant to the Measure H Authorization.

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

The Measure G Bonds and Measure H Bonds are issued on a parity basis with each other and all of the outstanding general obligation bonds of the District.

Registration

The Bank of New York Mellon Trust Company, N.A. will act as the initial registrar, transfer agent and paying agent for the Bonds (the "Paying Agent"). As long as The Depository Trust Company,

* Preliminary; subject to change.

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, established in 1868, is located in Monterey County (the "County") east of the city of Monterey. The District provides transitional kindergarten through sixth grade education services in 15 elementary schools. The average daily attendance ("ADA") for the District for fiscal year 2023-24 is budgeted to be 7,414 and the District had a 2022-23 assessed valuation of $8,727,976,894. The audited financial statements for the District for the fiscal year ended June 30, 2022, scheduled to be approved by Board of Education of the District (the "Board") in August 2023, are attached hereto as APPENDIX B. For further information concerning the District, see "SALINAS CITY ELEMENTARY 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 the County 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. The Bank of New York Mellon Trust Company, N.A., Houston, Texas is acting as registrar, transfer agent and paying agent for the Bonds. Dale Scott & Company, Inc., San Francisco, California, is acting as Municipal Advisor to the District in connection with the issuance of the Bonds. The above professionals will receive compensation from the District 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.

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 August 24, 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, with respect to the Measure G Bonds, pursuant to a resolution of the Board adopted on June 20, 2023 (the "Measure G Resolution") and, with respect to the Measure H Bonds, pursuant to a resolution of the Board adopted on June 20, 2023 (the "Measure H Resolution" and, together with the Measure G Resolution, the "Resolutions").

Purpose of Issues

The net proceeds of the Measure G Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition approved in the Measure G Authorization. The net proceeds of the Measure H Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition approved in the Measure H Authorization. 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 The Bank of New York Mellon Trust Company, N.A., 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

Principal of the Bonds is payable on August 1 in each of years as shown on the inside over pages hereof. Interest on the Bonds is payable commencing February 1, 2023 and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date"). 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 prior to the close of business on July 15, 2023, in which event interest shall be payable 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, 2032 are not subject to optional redemption prior to maturity. The Bonds maturing on or after August 1, 2033 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, 2032 at a redemption price equal to the par amount to be redeemed, plus accrued interest to the date of redemption, without premium.

* Preliminary; subject to change.

Mandatory Redemption. The Measure G Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 of each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed

(1) Maturity.

In the event that a portion of the Measure G Bonds maturing on August 1, 20__, is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above for such Bond shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount of such Bonds optionally redeemed.

The Measure H Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 of each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed

(1) Maturity.

In the event that a portion of the Measure H Bonds maturing on August 1, 20__, is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above for such Bond shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount of such Bonds optionally redeemed.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Measure G Bonds or Measure H Bonds (each, a series of Bonds) and less than all outstanding Bonds of a series are to be redeemed, the Paying Agent shall redeem Bonds in inverse order of maturities or as otherwise directed by the District. Within a maturity, the Paying Agent shall select Bonds for redemption by lot or as otherwise directed by the District.

Notice of Redemption

Notice of any redemption of the Bonds of a series shall be mailed by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date by first class mail to the County and the Owners and as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption shall state (i) the date of the 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; (viii) notice that further interest on such Bonds will not accrue after the designated redemption date; and (ix) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

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.

Effect of Notice of Redemption

Neither the failure to receive the notice of redemption as provided in each of the Resolutions, 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 herein, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in each of the Resolutions, 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.

Transfer and Exchange

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 at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of any or all of the outstanding Measure G Bonds or Measure H Bonds all or any part of the principal, interest and premium, if any, on the Measure G Bonds or the Measure H Bonds at the times and in the manner provided in the Measure G Resolution or the Measure H Resolution, respectively and in the Measure G Bonds or the Measure H Bonds, respectively, or as described in the following paragraph, or as otherwise provided by law consistent with the Measure G Resolution and the Measure H Resolution, then such Owners shall cease to be entitled to the obligation of the District as provided in the Measure G Resolution and the Measure H Resolution, respectively, and such obligation and all agreements and covenants of the District and of the County to such Owners under the Measure G Resolution and the Measure H Resolution and under the Measure G Bonds and the Measure H Bonds, as applicable, shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Measure G Bonds or the Measure G Bonds,, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the Resolutions relating to unclaimed monies shall apply in all events.

For purposes of defeasance of Measure G Bonds or Measure H Bonds in accordance with the Measure G Resolution or the Measure G Resolution, respectively, the District may pay and discharge any or all of the Measure G Bonds or the Measure H Bonds by depositing in trust with the Paying Agent or an escrow agent, selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Measure G Bonds or Measure H Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

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. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

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	Measure G Bonds	Measure H Bonds	Total
Principal Amount of Bonds			
[Net] Original Issue Premium			
Total Sources			
Uses of Funds			
Deposit to Building Fund			
Deposit to Interest and Sinking Fund			
Costs of Issuance[(1)]			
Total Uses			

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

District Investments

The Monterey County Treasurer-Tax Collector (the "County Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the County 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 Treasury. The County invests moneys of school and community colleges over which it has jurisdiction it its pooled fund. The composition and value of investments under management in the pool 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 investments, see the caption "THE MONTEREY COUNTY POOLED INVESTMENT FUND" herein.

Application of Proceeds

The net proceeds from the sale of the Measure G Bonds and the Measure H Bonds (other than premium) shall be paid to the County to the credit of the Salinas City Elementary School District Building Fund for the Account of Measure G or Measure H, as applicable, (the "Building Fund") established pursuant to either the Measure G Resolution or the Measure H Resolution, respectively, and shall be disbursed for the payment of the costs of acquiring and constructing the Projects for the Measure G Bonds or the Measure H Bonds, as applicable (as described below). Any premium or accrued interest received by the District from the sale of the Measure G Bonds or the Measure H Bonds will be deposited in the Interest and Sinking Fund for the account of either the Measure G Bonds or the Measure H Bonds, as applicable. 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 County Treasurer at the direction of the District.

DEBT SERVICE SCHEDULE

The following table summarizes the annual principal and interest payments on the Bonds, assuming no optional redemption.

ANNUAL DEBT SERVICE ON THE BONDS

	Measure G Bonds			Measure H Bonds		
Bond Year Ending August 1	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
Total						

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The table on the following page shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the General Obligation Bonds, 2008 Election, Series B (the "2008 Series B Bonds), the General Obligation Bonds, 2008 Election, Series C (the "2008 Series C Bonds), the 2018 General Obligation Refunding Bonds, Series A (the "2018 Refunding Bonds"), the General Obligation Bonds, 2008 Election, Series D (the "Series D Bonds"), the Measure G Bonds, and the Measure H Bonds.

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DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Period Ending August 1	2008 Series B Bonds	2008 Series C Bonds	2018 Refunding Bonds	2008 Series D Bonds	Measure G Bonds	Measure H Bonds	Total Debt Service
2024	$ 352,415.00	$ 536,631.26	$ 1,539,162.50	$ 224,200.00			
2025	367,125.00	539,631.26	1,619,912.50	228,600.00			
2026	379,997.50	546,631.26	1,699,412.50	242,600.00			
2027	401,032.50	552,381.26	1,782,412.50	245,800.00			
2028	414,495.00	566,881.26	1,868,412.50	253,600.00			
2029	435,752.50	564,631.26	1,956,912.50	270,800.00			
2030	454,070.00	571,381.26	2,052,412.50	272,000.00			
2031	474,447.50	571,631.26	2,154,162.50	292,800.00			
2032	491,517.50	591,031.26	2,260,512.50	287,400.00			
2033	515,280.00	593,687.50	2,359,262.50	306,800.00			
2034	--	3,505,000.00	--	410,000.00			
2035	--	3,630,000.00	--	440,000.00			
2036	--	3,765,000.00	--	470,000.00			
2037	--	3,180,000.00	--	1,145,000.00			
2038	--	3,300,000.00	--	1,200,000.00			
2039	--	3,420,000.00	--	1,260,000.00			
2040	--	3,545,000.00	--	1,315,000.00			
2041	--	3,675,000.00	--	1,385,000.00			
2042	--	3,810,000.00	--	1,450,000.00			
2043	--	--	--	5,070,000.00			
2044	--	--	--	5,265,000.00			
2045	--	--	--	5,485,000.00			
2046	--	--	--	--			
2047	--	--	--	--			
2048	--	--	--	--			
Total	$4,286,132.50	$37,464,518.84	$19,292,575.00	$27,519,600.00			

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the 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. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

The District received authorization to issue $74,500,000 principal amount of general obligation bonds under the Measure G Authorization pursuant to an election of the qualified electors within the District on November 8, 2022. Subsequent to the issuance of the Measure G Bonds, $46,235,000[*] principal amount of general obligation bonds remain for issuance under the Measure G Authorization.

The District received authorization to issue $75,000,000 principal amount of general obligation bonds under the Measure H Authorization pursuant to an election of the qualified electors within the District of on November 8, 2022. Subsequent to the issuance of the Measure H Bonds, $46,735,000[*] principal amount of general obligation bonds remain for issuance under the Measure H 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 (the "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.

[*] Preliminary; subject to change.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or 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 each of the Resolutions, the District has pledged, as security for the respective series of Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the "Pledged Moneys"). The Pledged Moneys shall 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 County except as provided in the Resolutions. No part of any fund or account of the County 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 will apply the net proceeds of the Measure G Bonds and the Measure H Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond propositions for the Measure G Authorization and the Measure H Authorization approved at the Election each of which includes a ballot measure and a project list. The District intends to apply the net proceeds of the Measure G Bonds to replace deteriorating roofs, repair leaking pipes and outdated plumbing, renovate classrooms, and replace aging electrical wiring among other improvements permitted under the ballot measure and project list. The District intends to apply the net proceeds of the Measure H Bonds to improve emergency communications and security systems, update classroom technology, replace aging playgrounds and increase handicapped access among other improvements permitted under the ballot measure and 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 for each of the Measure G Authorization and the Measure H Authorization, a separate list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Measure G Bonds and the Measure H Bonds, each of which was then submitted to the voters at the Election (the "Project Lists"). The District will prioritize and may not undertake to complete all components of the Project Lists.

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 County 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 County 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."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County 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, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the 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 County 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 County 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 the County Assessor, 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 since fiscal year 2008-09. The District's total assessed valuation was $8,727,976,894 for fiscal year 2022-23.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2008-09 Through 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2008-09	$5,597,611,326	$3,531,482	$548,184,015	$6,149,326,823	--
2009-10	5,181,685,616	3,531,482	563,194,804	5,748,411,902	(6.52)%
2010-11	4,828,046,618	3,531,482	519,506,270	5,351,084,370	(6.91)
2011-12	4,814,525,137	3,531,482	541,162,859	5,359,219,478	0.15
2012-13	4,843,051,791	3,384,826	557,108,329	5,403,544,946	0.83
2013-14	5,002,495,857	3,384,826	545,842,674	5,551,723,357	2.74
2014-15	5,364,008,541	3,934,826	553,959,367	5,921,902,734	6.67
2015-16	5,703,974,691	3,934,826	569,910,225	6,277,819,742	6.01
2016-17	5,973,025,220	3,470,236	580,009,957	6,556,505,413	4.44
2017-18	6,258,023,973	3,470,236	602,146,336	6,863,640,545	4.68
2018-19	6,572,714,104	3,470,236	628,584,887	7,204,769,227	4.97
2019-20	6,901,725,423	3,488,485	727,031,688	7,632,245,596	5.93
2020-21	7,254,784,047	5,035,765	719,588,686	7,979,408,498	4.55
2021-22	7,496,041,802	5,035,765	734,299,910	8,235,377,477	3.21
2022-23	7,965,793,323	5,035,765	757,147,806	8,727,976,894	5.98

Source: *California Municipal Statistics, Inc.*

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 rate levied by the County 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.

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.

Currently, according to the U.S. Drought Monitor, approximately 72% of the State is experiencing no drought, approximately 22% of the State is experiencing Abnormally Dry conditions, and approximately 6% of the State is experiencing Moderate Drought. 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.

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 outbreak of COVID-19 and the corresponding measures to prevent its spread have caused widespread unemployment and economic slow-down in the United States, the State and the County. Such economic slow-down may lead to an economic recession or depression and a general market decline in real estate values. Such a decline may cause a reduction of assessed values in the District. See "DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact" for more information regarding the impact of COVID-19.

The District cannot make any representation regarding the effects that the drought, 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.

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.

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.

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the District by political jurisdiction.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
2022-23 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Salinas	$8,510,165,781	97.50%	$13,833,654,587	61.52%
Unincorporated Monterey County	217,811,113	2.50	41,525,338,635	0.52
Total District	$8,727,976,894	100.00%		
Monterey County	$8,727,976,894	100.00%	$83,224,295,383	10.49%

Source: *California Municipal Statistics, Inc.*

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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.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
2022-23 Assessed Valuation and Parcels by Land Use

2022-23	% of	No. of	% of	
Non-Residential:	Assessed Valuation[1]	Total	Parcels	Total
Agricultural	$ 34,755,267	0.44%	35	0.20%
Commercial	1,501,037,272	18.84	1,234	6.96
Vacant Commercial	34,719,799	0.44	110	0.62
Industrial	942,442,390	11.83	290	1.64
Vacant Industrial	41,874,535	0.53	60	0.34
Government/Social/Institutional	90,244,901	1.13	452	2.55
Miscellaneous	60,299,544	0.76	165	0.93
Subtotal Non-Residential	$2,705,373,708	33.96%	2,346	13.24%
Residential:				
Single Family Residence	$4,009,948,717	50.34%	12,582	70.98%
Condominium/Townhouse	312,209,033	3.92	1,334	7.53
Mobile Home	4,523,780	0.06	156	0.88
Mobile Home Park	26,250,980	0.33	4	0.02
2-4 Residential Units	282,280,423	3.54	864	4.87
5+ Residential Units/Apartments	610,195,501	7.66	349	1.97
Vacant Residential	15,011,181	0.19	90	0.51
Subtotal Residential	$5,260,419,615	66.04%	15,379	86.76%
Total	$7,965,793,323	100.00%	17,725	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.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Per Parcel 2022-23 Assessed Valuation of Single Family Homes

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	12,582	$4,009,948,717	$318,705	$284,004

2022-23 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	23	0.183%	0.183%	$ 429,655	0.011%	0.011%
$25,000 -$49,999	112	0.890	1.073	4,543,522	0.113	0.124
$50,000 - $74,999	592	4.705	5.778	38,469,052	0.959	1.083
$75,000 - $99,999	637	5.063	10.841	55,572,275	1.386	2.469
$100,000 - $124,999	470	3.735	14.576	52,462,738	1.308	3.778
$125,000 - $149,999	409	3.251	17.827	56,430,322	1.407	5.185
$150,000 - $174,999	501	3.982	21.809	81,651,349	2.036	7.221
$175,000 - $199,999	731	5.810	27.619	137,097,976	3.419	10.640
$200,000 - $224,999	878	6.978	34.597	186,188,838	4.643	15.283
$225,000 - $249,999	887	7.050	41.647	210,830,546	5.258	20.541
$250,000 - $274,999	818	6.501	48.148	214,944,453	5.360	25.901
$275,000 - $299,999	608	4.832	52.980	174,476,248	4.351	30.252
$300,000 - $324,999	527	4.189	57.169	164,494,195	4.102	34.354
$325,000 - $349,999	543	4.316	61.485	183,297,667	4.571	38.925
$350,000 - $374,999	497	3.950	65.435	180,145,680	4.492	43.418
$375,000 - $399,999	520	4.133	69.568	201,371,339	5.022	48.440
$400,000 - $424,999	524	4.165	73.732	216,056,967	5.388	53.828
$425,000 - $449,999	437	3.473	77.206	191,131,455	4.766	58.594
$450,000 - $474,999	441	3.505	80.711	203,750,180	5.081	63.675
$475,000 - $499,999	377	2.996	83.707	183,864,200	4.585	68.260
$500,000 and greater	2,050	16.293	100.000	1,272,740,060	31.740	100.000
	12,582	100.000%		$4,009,948,717	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.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
2022-23 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	% of Total [1]
1.	Northridge Owner LP	Shopping Center	$162,088,712	2.03%
2.	Mann Packing Company Inc.	Food Processing	76,283,958	0.96
3.	The Uni-Kool Partners	Food Processing	63,384,402	0.80
4.	California Water Service Company	Water Company	56,129,305	0.70
5.	Chiquita Brands International Inc.	Food Processing	51,896,143	0.65
6.	Casentini Street Apartments LLC	Apartments	46,543,262	0.58
7.	CMP-1 LLC	Apartments	44,924,838	0.56
8.	Taylor Salinas Property Management Co.	Commercial/Apartments	42,862,879	0.54
9.	EPC Villa Serra LLC	Assisted Living Facility	40,823,843	0.51
10.	Laurel Grove Evergreen SPE LLC	Condominiums	39,828,835	0.50
11.	Cafe Tori Investments LLC	Apartments	35,990,958	0.45
12.	Growers Ice Company	Food Processing	34,097,808	0.43
13.	Southport Cooling Company & Rio Farms	Food Processing	32,562,456	0.41
14.	W2005/Fargo Hotels Pool C Realty LP	Hotel	32,466,218	0.41
15.	Mitch & Cyndee Secondo Investments LLC	Food Processing	28,266,697	0.35
16.	Taylor Fresh Foods Inc	Food Processing	27,602,007	0.35
17.	International Paper Company	Industrial	27,525,083	0.35
18.	Stone Brown Papers Inc.	Industrial	27,047,685	0.34
19.	William D. Massa Trust	Food Processing	25,531,900	0.32
20.	Trojan Storage of Salinas LLC	Warehouse	23,046,740	0.29
			$918,903,729	11.54%

[1] 2022-23 local secured assessed valuation: $7,965,793,323.
Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2022-23 account for 11.54% of the secured assessed value in the District which is $7,965,793. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2022-23 was Northridge Owner LP, accounting for 2.03% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.96% 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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Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 5-015 within the District for fiscal years 2018-19 through 2022-23:

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 5-015)[1]

	2018-19	2019-20	2020-21	2021-22	2022-23
General	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Salinas Union High School District	.030790	.033890	.010043	.044750	.051622
Hartnell Community College District	.037649	.035605	.042886	.021686	.044324
Salinas City School District	.034066	.024411	.026456	.032410	.025731
Total Tax Rate	$1.102505	$1.093906	$1.079385	$1.098846	$1.121677

[1] 2022-23 assessed valuation of TRA 5-015 is $3,269,478,541 which is 37.46% of the district's total assessed valuation.
Source: *California Municipal Statistics, Inc.*

The Teeter Plan

Certain counties in the State have 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, counties apportion secured property taxes on an accrual basis when due (irrespective of actual collections) to their local political subdivisions, for which such counties act as the tax-levying or tax-collecting agency.

The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies. Only those secured property taxes actually collected are allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. The amount of the levy of *ad valorem* property taxes depends upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

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Tax Levies and Delinquencies

The table below summarizes the annual secured tax levy and delinquencies within the District as of June 30 for fiscal years 2020-21 through 2021-22.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

	Secured Tax Charge [1]	Amt. Del. June 30	% Del. June 30
2020-21	$18,215,868.00	$217,489.06	1.19%
2021-22	18,724,243.00	218,489.38	1.17

	Secured Tax Charge [2]	Amt. Del. June 30	% Del. June 30
2020-21	$1,908,720.00	$14,026.12	0.73%
2021-22	2,416,589.00	16,554.12	0.69

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

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.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of January 1, 2023:

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2022-23 Assessed Valuation: $8,727,976,894

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/23
Monterey County Water Resources Authority, Zone No. 2C	10.487%	$ 1,966,837
Hartnell Joint Community College District	24.902	60,890,786
Salinas Union High School District	42.629	79,859,101
Salinas Union High School District School Facilities Improvement District	69.176	3,081,049
Salinas City School District	**100.000**	**52,562,030**[1]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$198,359,803
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Monterey County General Fund Obligations	10.487%	$12,560,662
Monterey County Office of Education Certificates of Participation	10.487	483,765
Salinas Union High School District General Fund Obligations	42.629	11,087,198
Salinas City School District General Fund Obligations	**100.000**	**4,298,323**
City of Salinas Certificates of Participation	61.518	56,008,448
Monterey County Regional Fire Protection District Pension Obligation Bonds	1.678	362,029
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$84,800,425
Less: Monterey County supported obligations		299,152
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$84,501,273
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$1,360,000
GROSS COMBINED TOTAL DEBT		$284,520,228[2]
NET COMBINED TOTAL DEBT		$284,221,076

Ratios to 2022-23 Assessed Valuation:

Direct Debt ($52,562,030)	**0.60%**
Total Overlapping Tax and Assessment Debt	2.27%
Combined Direct Debt ($56,860,353)	**0.65%**
Gross Combined Total Debt	3.26%
Net Combined Total Debt	3.26%

Ratio to Redevelopment Incremental Valuation ($859,748,584):

Total Overlapping Tax Increment Debt	0.16%

Source: *California Municipal Statistics Inc.*

(1) Excludes the Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

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 the County 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 a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which 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 is $7,643 per unit of ADA, which is $2,375 more than the average revenue limit. 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" herein. 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 ("FRPM") and are not discussed separately herein, except that the percentage of LI students and foster youth receiving FRPM are set forth in the table on the following page). 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 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table sets forth the historical ADA (at second principal apportionment) and enrollment (California Basic Educational Data System Actual) for fiscal years 2009-10 through 2021-22.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2009-10 through 2021-22

Fiscal Year	ADA	Enrollment
2009-10	7,584	8,004
2010-11	8,127	8,268
2011-12	8,091	8,509
2012-13	8,349	8,807
2013-14	8,533	8,912
2014-15	8,686	9,125
2015-16	8,674	9,105
2016-17	8,589	9,023
2017-18	8,396	8,844
2018-19	8,300	8,689
2019-20	8,150 (1)	8,566
2020-21	8,156	8,271
2021-22	7,496	8,287

(1) ADA for 2019-20 represents "hold harmless" figures in accordance with SB 117.
Source: The District.

The following table sets forth the ADA, enrollment, the percentage of EL/LI ("Unduplicated Count") enrollment, and the percentage of FRPM enrollment for fiscal year 2022-23, budgeted for fiscal year 2023-24 and projections for fiscal years 2024-25 and 2025-26.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2022-23 through 2025-26

	ADA				Enrollment		
Fiscal Year	TK-K	1-3	4-6	Total ADA	Total Enrollment	% of Unduplicated Count	% of FRPM Enrollment
2022-23	1,132.98	3,221.04	3,225.62	7,579.64	8,272	80.10%	71.66%
2023-24[1]	1,105.91	3,144.07	3,164.49	7,414.47	8,121	80.31	71.85
2024-25[2]	1,103.87	3,138.26	3,158.65	7,400.78	8,106	80.20	71.75
2025-26[2]	1,091.48	3,106.51	3,110.49	7,308.48	7,944	81.02	72.49

[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 schools 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 "basic aid" or "community funded" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for 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. AB 97, as amended by SB 91, 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.

Revenue Sources

The District categorizes its general fund revenues into four sources; LCFF revenues, federal revenues, other state revenues and other local revenues. 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 Child Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, 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.

The percentage of total general fund revenue for each source of revenue is shown in the following table for fiscal years 2019-20 through 2023-23.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Percentage of Revenue by Source

Revenue Source	2019-20	2020-21	2021-22	2022-23(1)	2023-24(2)
LCFF sources	80.99%	70.41%	67.92%	55.31%	67.54%
Federal revenues	4.69	14.58	9.22	17.43	12.44
Other State revenues	8.71	9.95	16.93	23.83	6.02
Other local revenues	5.61	5.06	5.92	3.45	4.00

(1) Based on District's Estimated Actuals for fiscal year 2022-23.
(2) Budgeted.
Source*: The District.*

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Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are $1.42 per square foot for residential housing and $0.23 per square foot for commercial or industrial development. The following table sets forth developer fee collections by the District for the last five fiscal years and budgeted for the current fiscal year.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Developer Fee Collections

Fiscal Year	Developer Fees Collected
2018-19	$56,961.59
2019-20	18,176.00
2020-21	434,932.54
2021-22	87,821.47
2022-23	57,138.02
2023-24(1)	15,000.00

(1) Budgeted.
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 "See " – State Budget Measures – 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 $30 million 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 Superintendent of Public Instruction 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 has filed positive certifications on each interim report in the last five fiscal years.

General Fund Budget. The District's general fund adopted budgets for fiscal years 2018-19 through 2023-24, audited actuals for the fiscal years 2018-19 through 2021-22, and estimated actual financial results for fiscal year 2022-23 are set forth on the following page.

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT
GENERAL FUND BUDGETING

	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[1]	Adopted Budget 2021-22[1]	Audited Actuals 2021-22[1, 2]	Adopted Budget 2022-23[3]	Estimated Actuals 2022-23[4]	Adopted Budget 2023-24[3]
REVENUES											
LCFF Sources	$88,705,940	$89,721,013	$91,406,806	$91,302,822	$82,556,049	$88,427,493	$93,612,562	$96,121,206	$99,025,951	$106,608,564	$112,069,048
Federal	5,994,362	6,573,987	6,033,661	5,282,783	7,712,644	18,316,971	15,496,630	13,048,749	30,175,892	33,593,554	20,647,133
Other State	9,436,041	12,120,657	6,844,719	9,818,757	6,855,379	12,492,531	18,998,100	23,963,700	13,835,430	45,926,518	26,574,819
Other Local	4,752,642	5,845,473	4,492,122	6,323,801	6,503,401	6,359,341	5,377,675	8,382,324	6,146,036	6,632,887	6,638,695
Total Revenues	108,888,985	114,261,130	108,777,308	112,728,163	103,627,473	125,596,336	133,484,967	141,515,979	149,183,309	192,761,523	165,929,695
EXPENDITURES											
Current											
Certificated Salaries	41,900,574	41,864,338	41,922,053	39,539,231	39,211,791	41,949,816	45,593,391	43,639,929	49,046,068	53,427,552	53,681,829
Classified Salaries	15,492,175	14,662,357	16,005,809	13,767,325	14,591,091	15,272,285	15,740,055	16,237,481	18,337,917	24,097,299	23,661,919
Employee Benefits	32,087,891	33,879,420	32,291,580	31,345,739	30,800,780	30,468,535	34,097,511	36,996,971	38,490,566	39,431,374	43,319,795
Books and Supplies	5,371,854	2,995,624	3,864,506	3,403,166	4,278,027	10,157,942	14,149,183	13,148,554	9,071,665	32,013,122	14,692,604
Services, Other Operating Expenses	10,150,141	10,022,797	9,995,491	8,752,948	10,236,977	10,670,635	18,904,611	16,915,825	15,810,368	52,964,418	14,658,269
Capital Outlay	566,820	592,741	328,344	93,764	152,765	1,130,482	803,037	3,047,962	911,370	3,021,230	1,087,998
Other Outgo	8,029,463	6,513,882	5,828,106	4,855,646	5,961,959	3,872,317	5,281,221	(970,720)	4,700,618	4,213,469	4,259,926
Transfer of Ind. Costs	--	--	--	--	--	--	(246,527)	--	(184,277)	(345,497)	(334,250)
Debt service - principal	128,519	153,260	154,494	157,672	180,060	118,725	--	125,657	--	--	--
Debt service - interest	45,350	29,889	70,580	23,719	27,988	55,868	--	(2,312)	--	--	--
Total Expenditures	113,772,787	110,705,308	110,420,963	101,939,210	105,441,438	113,696,605	137,322,482	129,138,838	136,184,295	208,822,967	155,028,090
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(4,883,802)	3,555,822	(1,643,655)	10,788,953	(1,813,965)	11,899,731	(3,837,515)	12,377,141	12,999,014	(16,061,444)	10,901,605
OTHER FINANCING SOURCES (USES)											
Transfers in	--	--	--	--	726,648	--	--	--	--	--	--
Transfers out	(500,000)	(1,500,000)	(500,000)	(784,838)	--	--	--	--	--	--	--
Total Other Financing Sources (Uses)	(500,000)	(1,500,000)	(500,000)	(784,838)	726,648	--	--	--	--	--	--
NET CHANGE IN FUND BALANCES	(5,383,802)	2,055,822	(2,143,655)	10,004,115	(1,087,317)	11,899,731	(3,837,515)	12,377,141	12,999,014	(16,061,444)	(10,901,605))
Fund Balance, July 1	11,710,449	11,710,449	13,766,271	13,776,271	23,770,386	23,770,386	26,167,311	35,670,275	41,846,309	48,047,263	31,985,819
Fund Balance, June 30	$6,326,647	$13,766,271	$11,622,616	$23,770,386	$22,683,063	$35,670,117	$22,329,796	$48,047,416	$54,845,323	$31,985,819	$42,887,424

[1] From the audited financial statement of the District for such fiscal year.
[2] Scheduled to be approved by the Board in August 2023.
[3] From the adopted budget of the District for such fiscal year.
[4] From the Estimated Actuals for fiscal year 2022-23.
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 at the Office of the Superintendent of the District, 840 South Main Street, Salinas, California 93901. See APPENDIX B hereto for the 2021-22 Audited Financial Statements of the District.

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

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SALINAS CITY ELEMENTARY SCHOOL DISTRICT
GENERAL FUND
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[1]
REVENUES				
LCFF Sources	$89,721,013	$91,302,822	$88,427,493	$96,121,206
Federal Revenues	6,573,987	5,282,783	18,316,971	13,048,749
Other State Revenues	12,120,657	9,818,757	12,492,531	23,968,700
Other Local Revenues	5,845,473	6,323,801	6,359,341	8,382,324
Total Revenues	114,261,130	112,728,163	125,596,336	141,515,979
EXPENDITURES				
Current				
Instruction	71,362,460	65,113,207	73,042,884	80,852,047
Instruction related activities:				
Supervision of instruction	3,457,445	3,960,636	4,308,133	5,511,177
Instructional library, media and technology	459,163	586,128	2,147,863	1,725,513
School site administration	7,982,207	7,068,596	6,686,942	8,207,604
Pupil services:				
Home-to-school transportation	2,983,648	2,956,493	3,149,787	3,290,709
Food services	7,857	1,052	660,438	32,077
All other pupil services	3,600,558	3,839,142	4,125,280	5,359,490
Administration:				
Data processing	508,703	468,691	482,278	535,796
All other administration	5,108,651	5,616,526	5,503,136	6,504,661
Plant services	7,471,696	6,697,053	8,496,188	11,749,581
Other outgo	6,759,397	5,295,417	4,137,235	4,049,796
Enterprise services	217,411	154,878	118,725	113,106
Facility acquisition/construction	602,963	--	55,868	1,083,936
Debt Service				
Principal	153,260	157,672	--	125,657
Interest and other	29,889	23,719	--	(2,312)
Total Expenditures	110,705,308	101,939,210	113,696,605	129,138,838
Excess (Deficiency) of Revenues Over Expenditures	3,555,822	10,788,953	11,899,731	12,377,141
OTHER FINANCING SOURCES (USES):				
Transfers Out	(1,500,000)	(784,838)	--	--
Net Financing Sources	(1,500,000)	(784,838)	--	--
NET CHANGE IN FUND BALANCES	2,055,822	10,004,115	11,899,731	12,377,141
Fund Balances at Beginning of Year	11,710,449	13,766,271	23,770,386	35,670,275
Fund Balances at End of Year	$13,766,271	$23,770,386	$35,670,117	$48,047,416

[1] Scheduled to be approved by the Board in August 2023.
Source: *The District*.

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 California 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 results 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.

2023-24 State Budget. The fiscal year 2023-24 budget for the State ("2023-24 State Budget") was passed by the State legislature on June 15, 2023. On June 28, 2023, the Governor signed Senate Bill 101, the State Budget Act of 2023 and on July 10, 2023, the Governor signed additional trailer bills, including Senate Bill 114 and Senate Bill 115, forming the complete substantive agreement of the 2023-24 State Budget. The 2023-24 State Budget, for the first time in several years, foresees a downturn in revenues and addresses an approximate $31.7 billion budget shortfall. A balanced budget is accomplished through spending reductions and pullbacks of previously planned spending, delays in spending, fund shifts, alternative revenues and borrowing and a withdrawal from the Safety Net Reserve.

The 2023-24 State Budget projects approximately $208.7 billion in general fund revenues with a prior year balance of $26.4 billion for total resources of $235 billion, and $225.9 billion in expenditures for fiscal year 2023-24. For fiscal year 2022-23, the 2023-24 State Budget estimated $260.9 billion in resources and $234.6 billion in expenditures. The 2023-24 State Budget projects a historic level of reserves, setting aside a total of $37.8 billion including $22.3 billion in the BSA for fiscal emergencies, $900 million in the Safety Net Reserve, $10.8 billion in the PSSSA, and an estimated $3.8 billion in the State's Special Fund for Economic Uncertainties. The $9.9 billion balance in the PSSSA in fiscal year 2022-23 will trigger the 10% cap on school district reserves beginning in fiscal year 2023-24. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICTS – Proposition 2" herein for more information regarding school district reserves.

The 2023-24 State Budget provides total K-12 funding of $129.2 billion ($79.5 general fund and $49.7 billion from other funds). The projected decrease in State revenues under the 2023-24 State Budget lowers the Proposition 98 guarantee to $110.6 billion in fiscal year 2021-22, $107.4 billion in fiscal year 2022-23 and $108.3 billion in fiscal year 2023-24.

The LCFF under the 2023-24 State Budget receives a COLA of 8.22%, the largest COLA since the implementation of the LCFF. The 2023-24 State Budget 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.

Additional significant provisions of the 2023-24 State Budget relating to K-12 education include the following:

- *Literacy* — $250 million one-time Proposition 98 funds to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches and reading specialists. Requires screening of students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year and provides $1 million to convene a panel to create a list of approved screening instruments.

- *State Pre-School* — (1) $343.1 million Proposition 98 funds and $20,000 non-Proposition 98 funds from the 2022-23 fiscal year, (2) $369.3 million Proposition 98 funds and $126.1 million General Fund from the 2023-24 fiscal year, and (3) $445.7 million Proposition 98 funds and $186.5 million General Fund from the 2024-25 fiscal year. Suspends the annual COLA applicable to the State Preschool Program in fiscal years 2023-24 and 2024-25. Revises the family fee schedule for the State Preschool Program beginning October 1, 2023, to: (1) limit family fees to one percent of a family's monthly income, and (2) prohibit the assessment of a fee for families with an adjusted monthly income below 75% of the state median income. Authorizes State Preschool Program family fee debt that accrued but remained uncollected prior to October 1, 2023 to be forgiven.

- *Educator Workforce* — $10 million one-time Proposition 98 funds for grants to provide culturally relevant support and mentorship for educators to become school administrators.

- *Transitional Kindergarten* — $357 million ongoing Proposition 98 funds to support the first year of expanded eligibility for TK and $283 million Proposition 98 funds to support the first year of adding one additional certificated or classified staff person to every TKtk class, $597 million ongoing Proposition 98 funds to support the second year (2023-24 school year) of expanded eligibility for transitional kindergarten and $165 million Proposition 98 funds to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class.

Arts, Music, and Instructional Materials Discretionary Block Grant — Decreases one-time Proposition 98 fund for the grant by $200 million, reducing total one-time program support from approximately $3.5 billion to approximately $3.3 billion. The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) will provide approximately $938 million ongoing Proposition 98 General Fund beginning in fiscal year 2023-24.

- *Learning Recovery Emergency Block Grant* — Delays approximately $1.1 billion one-time Proposition 98 funds for the Learning Recovery Emergency Block Grant to fiscal years 2025-26, 2026-27, and 2027-28.

- *Zero-Emission School Buses* — Delays $1 billion one-time Proposition 98 funds to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to fiscal years 2024-25 and 2025-26.

- *California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program* — Delays planned fiscal year 2023-24 $550 million investment to fiscal year 2024-25.

- *School Facility Program* — Approximately $2 billion one-time General Fund to support the School Facility Program in fiscal year 2023-24.

- *Nutrition* — Additional $154 million ongoing Proposition 98 funds and an additional $110 million one-time Proposition 98 funds to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.

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

- *Charter School Facility Grant Program* — one-time investment of $30 million Proposition 98 funds to support eligible facilities costs, consistent with the 2022-23 State Budget.

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

- *Commercial Dishwasher Grants* — $15 million one-time Proposition 98 funds to support grants to acquire and install commercial dishwashers.

- *Restorative Justice Practices* — $7 million one-time Proposition 98 funds to provide support for local educational agencies opting to implement certain restorative justice best practices.

- *Golden State Teacher Grant Program* — $6 million one-time federal funds to support grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at a high-need school site.

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

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

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 "- 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. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact" and "– Impact of COVID-19 on California School Districts" herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 pandemic described above.

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 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 community funded 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 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

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 "DISTRICT FINANCIAL INFORMATION – State Budget Measures – 2022-23 State Budget" herein for information regarding the deposit of funds to the PSSSA in fiscal years 2020-21, 2021-22, and 2022-23.

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 fiscal year 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 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 " – 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.

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 PSSA 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 2% of general fund expenditures and other financing uses. On June 30, 2022, the District had unassigned available reserves of $4,015,509, equal to 3.00% of total outgo. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

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- 2023-24 State Budget" for information regarding Proposition 28 in the 2023-24 State Budget.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 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.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

Introduction

The District, established in 1868, is located in Monterey County. The District provides transitional kindergarten through 6th grade education services in 15 elementary schools. The budgeted ADA for the District for fiscal year 2023-24 is 7,414 and the District had a 2022-23 assessed valuation of $8,727,976,894. The audited financial statements for the District for the fiscal year ended June 30, 2022 are attached as APPENDIX D hereto.

Board of Education

The District is governed by a Board. The Board consists of five members who are elected by trustee area to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Board of Education

Name	Office	Trustee Area	Term Expires December
Amy Ish	President	4	2024
Art Galimba	Vice President	1	2026
Jessica Powell	Clerk	5	2026
Angela Der Ramos	Member	2	2024
Belia Garcia	Member	3	2024

Source: *The District.*

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 statements of the District may be obtained by contacting: Salinas City Elementary School District, 840 South Main Street, Salinas, California 93901, Attention: Superintendent. The District may charge a small fee for copying, mailing and handling.

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. Rebeca Andrade, Ed.D. – *Superintendent* Dr. Andrade has served as the Superintendent of the District since July, 2020. Dr. Andrade has 25 years of public school education experience, ranging from classroom teaching to central office administration. Prior to joining the District, Dr. Andrade worked for the Glendale Unified School District as a principal and as an early education director. Dr. Andrade has presented at various state educational conferences and her academic research focuses on STEM practices, policies, and implementation in all learning ecosystems. She has served on the Board of California Association of Latino Superintendents and Administrators ("CALSA"), the Association of California School Administrators ("ACSA") Region 15 Board, USC Alumni Board (San Gabriel Valley Chapter), and on the State's Expanded Learning Division sustainability workgroup. She currently serves on the ACSA Region 10 Board. She mentors a first-generation student at CSUMB through the "Pay It Forward" program, and has served as mentor for doctoral students at USC and educational leaders through the CALSA mentoring program.

Dr. Andrade received her Bachelor of Arts from the University of Southern California, her Master of Arts from Loyola Marymount University, and her Doctorate of Education in Educational Leadership from the University of Southern California.

Employees and Labor Relations

The District employs approximately 464 full-time equivalent certificated academic professionals as well as approximately 415 full-time equivalent classified employees.

The certificated employees of the District have assigned the Salinas Elementary Teachers' Council ("SETC") as their exclusive bargaining agent. The contract between the District and SETC expired on June 30, 2023. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

The classified employees have assigned California School Employees Association and its Salinas Chapter 49 ("CSEA") as their exclusive bargaining agent. The contract between the District and CSEA expired on June 30, 2023. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

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 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. 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 2014-15 through 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 2021-22.

Subsequent to the increases to the school district's contribution rates to STRS, AB 1469 requires that for 2021-22 and each fiscal year thereafter, STRS adjust the school districts' 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 districts' 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 2021-2022 from 17.9% to 16.02%.

The District contributed $5,718,679 to STRS for fiscal year 2017-18, $6,358,730 for fiscal year 2018-19, $6,346,073 for fiscal year 2019-20, $6,397,219 for fiscal year 2020-21 and $6,944,060 for fiscal year 2021-22. Such contributions were equal to 100% of the required contributions for the respective years. The District estimates a contribution of $14,353,503 for fiscal year 2022-23 and has budgeted a contribution of $13,886,658 for fiscal year 2023-24. 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 Laws. 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 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 $2,256,616 to PERS for fiscal year 2017-18, $2,899,051 for fiscal year 2018-19, $3,146,579 for fiscal year 2019-20, $3,371,859 for fiscal year 2020-21 and $4,060,544 for fiscal year 2021-22, which amounts equaled 100% of required contributions to PERS. The District contributed an estimated $5,107,558 for fiscal year 2022-23, and has budgeted a contribution of $7,313,486 for fiscal year 2023-24.

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, 2022.

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)	$ 116,982	$ 79,8736	$ (37,596)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	346,089	283,340	(80,803)

(1) Amounts may not add due to rounding.
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
STRS	$33,338,567
PERS	23,074,196
Total	$56,412,763

Source*: The District.*

For further information about the District's contributions to STRS and PERS, see Note 12 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 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 any declines in the value of investments in response to financial market conditions such as recession or resulting from the outbreak of COVID-19. See also "DISTRICT FINANCIAL INFORMATION – COVID 19 Outbreak and its Economic Impact" herein for information regarding the outbreak of COVID-19.

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* which the District implemented in fiscal year 2017-18.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units. As of June 30, 2021, the valuation date, 46 retirees and their beneficiaries were receiving Health & Welfare Benefits with 749 employees earning service credit towards eligibility.

Expenditures for Health & Welfare Benefits are recognized each pay period at a rate that approximates the amount of premiums paid. For the measurement period of June 30, 2022 the District contributed $775,610 towards Health & Welfare Benefits, all of which was used for current premiums.

The following table shows the changes in the District's total Health and Welfare Benefits as of June 30, 2022.

	Total Liability
Balance at June 30, 2021	$29,109,983
Service Cost	2,184,457
Interest	643,991
Changes of Assumption	(3,455,549)
Benefit Payments	(775,610)
Net Change in Total OPEB Liability	(1,402,711)
Balance at June 30, 2022	$27,707,272

Source: *The District*.

Medicare Premium Payment Program. The Medicare Premium Payment ("MPP") Program is a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRS Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis. MPP is closed to new entrants as members who retire after July 1, 2012. The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. At June 30, 2022, the District's proportionate share of the net MPP Program OPEB liability was $439,228.

Risk Management

The District is a member of the Monterey Educational Risk Management Authority ("MERMA"), the Monterey County Schools Insurance Group ("MCSIG"), and the Monterey and San Benito Counties Liability/Property Joint Powers Authority ("MSBCLP") joint powers authorities ("JPAs"). The District pays an annual premium to the applicable entity for its workers' compensation, health and welfare, and property liability coverage. The relationships between the District and the JPAs are such that they are not a component unit of the District for financial reporting purposes.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

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 the District's changes in long-term debt for the year ended June 30, 2022 is shown below:

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
Long-Term Debt

	Balance July 1, 2021, as restated	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Long Term Liabilities:					
General obligation bonds	$56,109,969	$1,074,594	$(1,175,000)	$56,009,563	$1,330,000
Unamortized premiums	2,391,486	--	(164,281)	2,227,205	--
Certificates of participation	4,792,513	--	(322,574)	4,469,939	358,821
Unamortized discounts, COP	(52,029)	--	5,203	(46,826)	--
Financed purchases	125,657	--	(125,657)	--	--
Capital leases	133,716	--	(31,962)	101,754	32,920
Compensated absences	311,524	--	(56,262)	255,262	--
State preschool loan	10,500	--	(10,500)	--	--
TOTAL	$63,823,336	$1,074,594	$(1,881,033)	$63,016,897	$1,721,741

Source: *The District*.

General Obligation Bonds The District received authorization from the voters within the District to issue $80,000,000 aggregate principal amount of general obligation bonds pursuant to an authorization on June 3, 2008 (the "2008 Authorization"). On October 7, 2008, the District issued its $21,565,000 General Obligation Bonds, 2008 Election, Series A (the "Series A Bonds") and $3,435,000 General Obligation Bonds, 2008 Election, Series B (Taxable), on April 13, 2018, the District issued its $19,996,475.20 General Obligation Bonds, 2008 Election, Series C, and on July 7, 2020, the District issued its $14,990,554.90 General Obligation Bonds, 2008 Election, Series D. On April 13, 2018, the District issued its $18,670,000 2018 General Obligation Refunding Bonds, Series A to refund the outstanding Series A Bonds. Additional general obligation bonds in the amount of $20,012,969.90 remain for issuance under the 2008 Authorization.

Certificates of Participation. In May 2013, the District issued $6,723,066 of certificates of participation, with interest of 3.5% in two private placements for the installation of a District-wide solar project. The certificates of participation have quarterly principal and interest payment requirements. The obligation will be paid in full by November 1, 2030.

Capital Leases. The District entered into an agreement with US Bank to lease copiers for five years, beginning October 1, 2020. Under the terms of the lease, the District makes yearly payments of $35,973, amounting to total principal and interest costs of $179,867. The annual interest rate on the lease is 3%. At June 30, 2022, the District recognized a right-to-use leased asset of $164,749 and a lease liability of $101,754. The District also entered into an agreement with Canon Financial Services to lease copiers for five years, beginning in 2022. Under the terms of the lease, the District makes monthly payments of $6,765.34.

MONTEREY COUNTY POOLED INVESTMENT FUND

The following information concerning the Monterey County Pooled Investment Fund has been provided by the County Treasurer and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

In accordance with Education Code Section 41001, each California public school district maintains substantially all of its operating funds in the county treasury of the county, the county superintendent of schools of which has jurisdiction over the district, and each county treasurer or finance director serves as *ex officio* treasurer for those school districts located within the county. Each county treasurer or finance director has the authority to invest school district funds held in the county treasury. Generally, the county treasurer or finance director pools county funds with school district funds and funds from certain other public agencies within the county and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

The District maintains substantially all of its funds in the treasury of Monterey County which is invested in the Treasury Pool.

Pursuant to State law, the County Treasurer-Tax Collector (the "Treasurer") manages funds deposited in the County Treasury by the County, county school districts, special districts, trusts, and agencies. The Treasurer has accepted funds only from entities located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and Federal funding, and other fees and charges.

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As of March 31, 2023, the Treasurer's investments were as follows:

Fund Name	Par Value	Market Value	Book Value
Money Market Accounts	$9,364,322.34	$9,364,322.34	$9,364,322.34
State Pool	11,000,000.00	11,000,000.00	11,000,000.00
Cal Trust/CAMP	521,689,210.16	521,689,210.16	521,689,210.16
Sweep Account – Morgan Stanley	1.00	1.00	1.00
Sweep Account – Custom	189,715.25	189,715.24	189,715.24
Medium Term Notes	494,538,000.00	474,124,954.68	484,009,560.27
Negotiable CD	51,000,000.00	50,857,630.00	51,000,000.00
Commercial Paper	50,000,000.00	49,198,500.00	49,290,500.00
Federal Agency Coupon	518,970,000.00	506,567,656.80	516,978,838.44
Federal Agency – Disc.	25,000,000.00	24,659,000.00	24,659,309.03
US Treasury Note	1,105,190,000.00	1,058,631,839.67	1,095,241,996.25
Supranationals	58,035,000.00	56,695,903.05	58,297,017.45
Asset Backed Security	195,000.00	183,534.00	194,973.13
Municipal Bonds	2,846,291,248.74	2,764,310,401.89	2,823,035,433.01

Total Assets	$2,846,291,249
Market Value	$2,764,310,402
Days to Maturity	406
Yield	2.33%
Estimated Earnings	$16,181,866

Source: Monterey County Treasurer-Tax Collector

The District has not made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current County Investment Policy. The value of the various investments in the Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pooled Investment Fund will not vary significantly from the values described therein.

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 8 months following the end of the District's fiscal year (currently ending June 30), which date would be March 1, commencing with the report for the 2022-23 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District will enter 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 material 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).

During the previous five years, the District has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule.

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. The above professionals 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 Resolutions and the Act require the County 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 County, on behalf of the District, is 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 the County's Investment Pool, as described in APPENDIX E – "MONTEREY COUNTY INVESTMENT POLICY STATEMENT" attached hereto. In the event the District or the County 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 the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, 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 Debt Service Fund where such amounts are invested in the County Investment Pool. 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 Resolutions 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.

RATING

Standard & Poor's ("S&P") has assigned its municipal bond rating of "A+" to the Bonds. Such rating reflects only the views of S&P. 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 agency, 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.

METHOD OF SALE

Following a competitive bid process, as provided in the Official Notice of Sale, dated July 25, 2023 (the "Notice of Sale"), ________________________ (the "Underwriter"), has submitted the lowest bid to purchase the Bonds at a price of $______________ (reflecting the principal amount of the Bonds plus a net original issue premium in the amount of $__________ and less an Underwriter's discount of $_____________).

The Notice of Sale provides that all Bonds must be purchased if any are purchased, and that the obligation to make such purchase are subject to certain terms and conditions set forth in the Notice of Sale, the approval of certain legal matters by Bond Counsel, and certain other conditions. The Underwriter has represented to the District that the Bonds have been reoffered to the public at the prices or yields stated on the inside front cover page hereof.

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 Resolutions are available upon request from the Salinas City Elementary School District, 840 South Main Street, Salinas, California 93901.

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.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

By: ____
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Education
Salinas City Elementary School District

Re: $__________ Salinas City Elementary School District (Monterey County, California) General Obligation Bonds, 2022 Election (Measure [G/H]), 2023 Series A

Members of the Board:

We have acted as bond counsel for the Salinas City Elementary School District (Monterey County, California) (the "District"), in connection with the issuance by the District of $___________ aggregate principal amount of the District's General Obligation Bonds, 2022 Election (Measure [G/H]), 2023 Series A (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 Education of the District on June 20, 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 and the County of Monterey 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 the Bonds 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

SALINAS CITY ELEMENTARY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2022

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Financial Statements
June 30, 2022

Salinas City Elementary School District

EideBailly

eidebailly.com

Independent Auditor's Report

To the Governing Board
Salinas City Elementary School District
Salinas, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas City Elementary School 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 as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salinas City Elementary School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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 Salinas City Elementary 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.

Emphasis of Matter - Adoption of New Accounting Standard

As discussed in Notes 1 and 15 to the financial statements, the Salinas City Elementary School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Emphasis of Matter - Correction of an Error

As discussed in Note 15 to the financial statements, an error was discovered in the current year related to the beginning balance of the Capital Assets-Equipment Accumulated Depreciation also restating the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

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 Salinas City Elementary 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

In performing an audit in accordance with GAAS 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 Salinas City Elementary 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 Salinas City Elementary 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 that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salinas City Elementary School District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2023 on our consideration of Salinas City Elementary 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salinas City Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salinas City Elementary School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fresno, California
June 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of Salinas City Elementary School District is to provide qualified educators and a collaborative environment where students receive a high-quality education using 21st Century teaching techniques and resources, and are challenged and encouraged to excel. The District is located in the community of Salinas in Monterey County. This community of 160,000 population, located 110 miles south of San Francisco and 16 miles east of Monterey, is predominantly an agricultural community that includes a large migrant population. The District served approximately 8,100 students in 2021-2022.

The District operated 14 elementary schools in 2021-2022 and serves under a locally elected five-member Board of Education.

This section of Salinas City Elementary School District's annual financial report resents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Salinas City Elementary School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(30,578,148) for the fiscal year ended June 30, 2022. Of this amount, $20,413,331 was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2022	2021 as Restated
Assets		
Current and other assets	$ 86,628,378	$ 77,001,347
Capital assets	66,470,804	63,987,958
Total assets	153,099,182	140,989,305
Deferred Outflows of Resources	27,068,499	29,261,314
Liabilities		
Current liabilities	15,838,961	15,973,407
Long-term liabilities	147,576,160	192,807,662
Total liabilities	163,415,121	208,781,069
Deferred Inflows of Resources	47,330,708	8,696,491
Net Position		
Net investment in capital assets	13,162,764	13,834,716
Restricted	20,413,331	11,398,251
Unrestricted	(64,154,243)	(72,459,908)
Total net position	$ (30,578,148)	$ (47,226,941)

The $(30,578,148) in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by $8,305,665 ($(64,154,243) compared to $(72,459,908)).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2022	2021*
Revenues		
Program revenues		
Charges for services	$ 87,820	$ 434,933
Operating grants and contributions	49,365,299	39,897,102
General revenues		
Federal and State aid not restricted	74,327,263	67,294,285
Property taxes	26,985,268	25,290,617
Other general revenues	(371,913)	2,337,109
Total revenues	150,393,737	135,254,046
Expenses		
Instruction-related	89,321,055	97,758,487
Pupil services	14,781,927	13,396,616
Administration	7,156,074	6,832,325
Plant services	11,634,039	9,543,648
All other services	10,851,849	8,966,847
Total expenses	133,744,944	136,497,923
Change in net position	$ 16,648,793	$ (1,243,877)

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $133,744,944. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $26,985,268 because the cost was paid by those who benefited from the programs of $87,820 or by other governments and organizations who subsidized certain programs with grants and contributions totaling $49,365,299. We paid for the remaining "public benefit" portion of our governmental activities with, $74,327,263 in Federal and State funds and $(371,913) in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021*	2022	2021*
Instruction-related	$ 89,321,055	$ 97,758,487	$ (59,825,250)	$ (70,323,299)
Pupil services	14,781,927	13,396,616	(5,234,822)	(6,591,279)
Administration	7,156,074	6,832,325	(5,906,700)	(6,020,321)
Plant services	11,634,039	9,543,648	(8,502,956)	(6,182,969)
All other services	10,851,849	8,966,847	(4,822,097)	(7,048,020)
Total	$ 133,744,944	$ 136,497,923	$ (84,291,825)	$ (96,165,888)

* The total cost of services and net cost of services for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $59,802,831, which is an increase of $9,997,330 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	July 1, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	$ 35,670,275	$ 141,515,979	$ 129,138,838	$ 48,047,416
Student Activities	415,028	3,818,805	3,820,685	413,148
Child Development	38,486	2,607,069	2,478,840	166,715
Cafeteria	234,912	8,194,605	5,863,141	2,566,376
Building	10,569,671	(112,963)	4,843,772	5,612,936
Capital Facilities	479,118	76,645	-	555,763
County School Facilities	64	(2)	-	62
Special Reserve Fund for Capital Outlay Projects	5	-	-	5
Bond Interest and Redemption	1,643,847	2,983,139	2,449,644	2,177,342
Debt Service	754,095	(4,814)	486,213	263,068
Total	$ 49,805,501	$ 159,078,463	$ 149,081,133	$ 59,802,831

The General Fund increased by $12,377,141 due primarily to decreased spending and increased Federal funding. The Building Fund decreased by $4,956,735 due primarily to ongoing construction projects. The District's non-major governmental funds increased by $2,576,924.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it deals with regular budget execution and unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 20, 2022 (2021-2022 Unaudited Actuals). A schedule showing the General Fund original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements.

The District projected an increase in the General Fund of $6,337,119. However, revenues were $30,474,093 less than projected and expenditures were $36,514,115 less than expected, resulting in an increase to the General Fund of $12,377,141.

CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, AND DEBT ADMINISTRATION

Capital Assets and Right-to-Use Leased Assets

At June 30, 2022, the District had $66,470,804 in a broad range of capital assets (net of depreciation and amortization expenses), including land, buildings, furniture, equipment, and amortization expenses. This amount represents a net increase (including additions, deductions, and depreciation) of $2,482,846 from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as Restated
Land and construction in progress	$ 7,746,977	$ 12,767,674
Buildings and improvements	55,898,116	50,146,118
Equipment	2,726,862	942,368
Leased assets	98,849	131,798
Total	$ 66,470,804	$ 63,987,958

Long-Term Liabilities

At the end of this year, the District had $147,576,160 in long-term liabilities outstanding versus $192,807,662 last year, a decrease of $45,231,502. This decrease is due to a decrease in net pension liability. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as Restated
Long-Term Liabilities		
General obligation bonds	$ 56,009,563	$ 56,109,969
Certificates of participation	4,469,939	4,792,513
Unamortized premiums/(discounts)	2,180,379	2,339,457
Financed purchases	-	125,657
Leases	101,754	133,716
Compensated absences	255,262	311,524
Net OPEB liability	28,146,500	29,609,257
State preschool loan	-	10,500
Aggregate net pension liability	56,412,763	99,375,069
Total	$ 147,576,160	$ 192,807,662

The District's S&P general obligation bond rating continues to be "AAA/A-." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $56,009,563 is below the statutorily-imposed limit.

At year-end, the District has a net pension liability of $56,412,763 versus $99,375,069 last year, a decrease of $42,962,306. The District also reported deferred outflows of resources from pension activities of $23,347,447, and deferred inflows of resources from pension activities of $43,975,676. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

FINANCIAL STATUS OF DISTRICT AND NEXT YEAR'S BUDGET

The District closed 2021-2022 with Reserve levels above the mandated State minimum and project carrying these levels forward through the current year, even as we budget to account for further decline in enrollment. The Board approved our multi-year budget on June 13, 2022, where we certified Positive for the current budget year and the two subsequent years' projections. Covid related Federal funding continues to allow the district to work on closing achievement gaps created by Covid-related school closures in previous school years.

The Local Control Funding Formula (LCFF) has been used to build our budget and out year projections as required by CDE. The preponderance of new funds continues to flow from Supplemental and Concentration dollars and is closely controlled by the Local Control and Accountability Plan (LCAP). Due to the full funding of LCFF by the state, future funding increases will come from increases in ADA or COLA percentages.

For 2022-2023, the District has budgeted excess reserve funds based on board priorities, such as early childhood education, nutrition, technology, safety, and negotiations, that will cover required funding in the two subsequent years, while continuing prudent budgeting in 2023-2024 and 2024-2025 in the multiyear projections approved by the Board. We have budgeted conservatively for those two years based on the unknown effects of inflation on the state economy, as well as on the US and world economic indicators. The district closed out the fiscal year with an ending balance in unrestricted funds of $29,654,501.

THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances, and to demonstrate the District's fiscal accountability for the money it receives. Should you have questions about this report or need additional financial information, please contact the Assistant Superintendent of Business Services at 831-784-2288.

	Governmental Activities
Assets	
Deposits and investments	$ 77,136,860
Receivables	9,395,123
Stores inventories	96,395
Capital assets not depreciated	7,746,977
Capital assets, net of accumulated depreciation	58,624,978
Right-to-use leased assets, net of accumulated amortization	98,849
Total assets	153,099,182
Deferred Outflows of Resources	
Deferred charge on refunding	393,126
Deferred outflows of resources related to OPEB	3,327,926
Deferred outflows of resources related to pensions	23,347,447
Total deferred outflows of resources	27,068,499
Liabilities	
Overdrafts	283,183
Accounts payable	10,609,192
Unearned revenue	4,946,586
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,721,741
Long-term liabilities other than OPEB and pensions due in more than one year	61,295,156
Total other postemployment benefits liability (OPEB)	28,146,500
Aggregate net pension liabilities	56,412,763
Total liabilities	163,415,121
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	3,355,032
Deferred inflows of resources related to pensions	43,975,676
Total deferred inflows of resources	47,330,708
Net Position	
Net investment in capital assets	13,162,764
Restricted for	
Debt service	2,440,410
Capital projects	555,825
Educational programs	14,533,967
Child nutrition program	2,469,981
Student activities	413,148
Unrestricted	(64,154,243)
Total net position	$ (30,578,148)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 76,206,385	$ 14,157	$ 26,077,927	$ (50,114,301)
Instruction-related activities				
Supervision of instruction	4,863,832	-	1,782,828	(3,081,004)
Instructional library, media, and technology	884,344	711	1,014,049	130,416
School site administration	7,366,494	315	605,818	(6,760,361)
Pupil services				
Home-to-school transportation	3,681,485	-	8,011	(3,673,474)
Food services	6,164,060	-	7,354,596	1,190,536
All other pupil services	4,936,382	191	2,184,307	(2,751,884)
Administration				
Data processing	493,670	-	102,192	(391,478)
All other administration	6,662,404	6,829	1,140,353	(5,515,222)
Plant services	11,634,039	365	3,130,718	(8,502,956)
Ancillary services	3,820,685	-	3,620,119	(200,566)
Enterprise services	442,766	10,689	160,493	(271,584)
Interest on long-term liabilities	2,538,602	-	-	(2,538,602)
Other outgo	4,049,796	54,563	2,183,888	(1,811,345)
Total governmental activities	$ 133,744,944	$ 87,820	$ 49,365,299	(84,291,825)
General Revenues and Subventions				
Property taxes, levied for general purposes				23,955,378
Property taxes, levied for debt service				2,682,887
Taxes levied for other specific purposes				347,003
Federal and State aid not restricted to specific purposes				74,327,263
Interest, investment earnings and fair value adjustments				(1,389,285)
Special and extraordinary				289,494
Miscellaneous and unspent State entitlement revenues				727,878
Subtotal, general revenues and subventions				100,940,618
Change in Net Position				16,648,793
Net Position - Beginning, as Restated				(47,226,941)
Net Position - Ending				$ (30,578,148)

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 56,065,577	$ 5,998,613	$ 4,086,084	$ 66,150,274
Receivables	7,175,900	-	2,219,223	9,395,123
Due from other funds	-	-	186,815	186,815
Stores inventories	-	-	96,395	96,395
Total assets	$ 63,241,477	$ 5,998,613	$ 6,588,517	$ 75,828,607
Liabilities and Fund Balances				
Liabilities				
Overdrafts	$ -	$ -	$ 283,183	$ 283,183
Accounts payable	10,060,660	385,677	162,855	10,609,192
Due to other funds	186,815	-	-	186,815
Unearned revenue	4,946,586	-	-	4,946,586
Total liabilities	15,194,061	385,677	446,038	16,025,776
Fund Balances				
Nonspendable	10,000	-	96,395	106,395
Restricted	14,367,252	5,612,936	6,046,079	26,026,267
Assigned	29,654,655	-	5	29,654,660
Unassigned	4,015,509	-	-	4,015,509
Total fund balances	48,047,416	5,612,936	6,142,479	59,802,831
Total liabilities and fund balances	$ 63,241,477	$ 5,998,613	$ 6,588,517	$ 75,828,607

Total Fund Balance - Governmental Funds		$ 59,802,831
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 159,990,946	
Accumulated depreciation is	(93,618,991)	
Net capital assets		66,371,955
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is	164,747	
Accumulated amortization is	(65,898)	
Net right-to-use leased assets		98,849
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.		10,986,586
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)	393,126	
Other postemployment benefits (OPEB)	3,327,926	
Net pension liability	23,347,447	
Total deferred outflows of resources		27,068,499
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(3,355,032)	
Net pension liability	(43,975,676)	
Total deferred inflows of resources		(47,330,708)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(56,412,763)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(28,146,500)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds including unamortized premiums	(58,236,768)	
Certificates of participation including unamortized discounts	(4,423,113)	
Leases	(101,754)	
Compensated absences (vacations)	(255,262)	
Total long-term liabilities		(63,016,897)
Total net position - governmental activities		$ (30,578,148)

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula	$ 96,121,206	$ -	$ -	$ 96,121,206
Federal sources	13,048,749	-	7,930,065	20,978,814
Other State sources	23,963,700	-	2,496,203	26,459,903
Other local sources	8,382,324	(112,963)	7,249,179	15,518,540
Total revenues	141,515,979	(112,963)	17,675,447	159,078,463
Expenditures				
Current				
Instruction	80,852,047	-	1,559,248	82,411,295
Instruction-related activities				
Supervision of instruction	5,511,177	-	2,735	5,513,912
Instructional library, media, and technology	1,725,513	-	-	1,725,513
School site administration	8,207,604	-	79,422	8,287,026
Pupil services				
Home-to-school transportation	3,290,709	-	-	3,290,709
Food services	32,077	-	5,675,160	5,707,237
All other pupil services	5,359,490	-	309,234	5,668,724
Administration				
Data processing	535,796	-	-	535,796
All other administration	6,504,661	-	309,047	6,813,708
Plant services	11,749,581	185,740	-	11,935,321
Ancillary services	-	-	3,820,685	3,820,685
Other outgo	4,049,796	-	-	4,049,796
Enterprise services	113,106	-	396,635	509,741
Facility acquisition and construction	1,083,936	4,658,032	-	5,741,968
Debt service				
Principal	125,657	-	1,508,074	1,633,731
Interest and other	(2,312)	-	1,438,283	1,435,971
Total expenditures	129,138,838	4,843,772	15,098,523	149,081,133
Net Change in Fund Balances	12,377,141	(4,956,735)	2,576,924	9,997,330
Fund Balance - Beginning	35,670,275	10,569,671	3,565,555	49,805,501
Fund Balance - Ending	$ 48,047,416	$ 5,612,936	$ 6,142,479	$ 59,802,831

Total Net Change in Fund Balances - Governmental Funds		$ 9,997,330
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation and amortization expenses in the period.		
Depreciation and amortization expenses	$ (5,172,644)	
Capital outlays	7,655,490	
Net expense adjustment		2,482,846
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(1,074,594)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		56,262
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		5,841,264
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(2,220,399)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		164,281
Discount amortization		(5,203)
Deferred charge on refunding amortization		(22,834)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	1,175,000
Certificates of participation	322,574
State preschool loan	10,500
Financed purchases	125,657
Leases	31,962
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	(235,853)
Change in net position of governmental activities	$ 16,648,793

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 10,986,586
Net Position	
Restricted	$ 10,986,586

	Governmental Activities - Internal Service Fund
Nonoperating Revenues*	
Fair market value adjustments	$ (279,455)
Interest income	43,602
Total nonoperating revenues	(235,853)
Total Net Position - Beginning	11,222,439
Total Net Position - Ending	$ 10,986,586

* The Fund did not have any operating revenues or expenses during the year.

	Governmental Activities - Internal Service Fund
Cash Flows from Investing Activities	
Interest and fair value adjustments on investments	$ (235,853)
Cash and Cash Equivalents, Beginning	11,222,439
Cash and Cash Equivalents, Ending	$ 10,986,586

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Salinas City Elementary School District (the District) was established in 1957 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 6 as mandated by the State and/or Federal agencies. The District operates fourteen Transitional Kindergarten through Sixth grade elementary schools.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District’s operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Salinas City Elementary School District Finance Corporation’s financial activity is presented in the financial statements using the blended method as the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of $154.

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

Non-Major Governmental Funds

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

- **Student Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

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

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

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

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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

- **Debt Service Fund** The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has the following proprietary fund:

- **Internal Service Fund** Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance that is accounted for in an internal service fund which accumulates future retiree benefit contributions.

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

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

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

Interfund Balances

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $20,413,331 of restricted net position.

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Monterey bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the County adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard is included in Notes 4 and 8.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	$ 66,150,274
Proprietary funds	10,986,586
Less overdrafts	(283,183)
Net government activities	76,853,677
Total deposits and investments	$ 76,853,677

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	$ 413,648
Cash awaiting deposit	11,768
Cash in revolving	10,000
Investments	76,418,261
Total deposits and investments	$ 76,853,677

At June 30, 2022, the Child Development Non-Major Governmental Fund had a deficit Cash in County Treasury balance of $283,183.

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times 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. The District maintains an investment of $76,418,261 in the Monterey County Treasury Investment Pool that has an average weighted maturity of 339 days.

Credit Risk – Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment with the Monterey County Investment Pool is currently not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, $454,314 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2022, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 4,810,432	$ 1,755,571	$ 6,566,003
State Government			
Other State	2,351,109	463,652	2,814,761
Local Sources	14,359	-	14,359
Total	$ 7,175,900	$ 2,219,223	$ 9,395,123

Note 4 - Capital Assets and Right-to-Use Leased Assets

Capital assets and right-to-use leased assets activities for the fiscal year ended June 30, 2022, are as follows:

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 7,480,895	$ -	$ -	$ 7,480,895
Construction in progress	5,286,779	266,082	(5,286,779)	266,082
Total capital assets not being depreciated	12,767,674	266,082	(5,286,779)	7,746,977
Capital assets being depreciated				
Land improvements	16,755,203	1,660,533	-	18,415,736
Buildings and improvements	119,116,487	9,102,132	-	128,218,619
Furniture and equipment	3,696,092	1,913,522	-	5,609,614
Total capital assets being depreciated	139,567,782	12,676,187	-	152,243,969
Total capital assets	152,335,456	12,942,269	(5,286,779)	159,990,946
Accumulated depreciation				
Land improvements	(8,005,800)	(982,686)	-	(8,988,486)
Buildings and improvements	(77,719,772)	(4,027,981)	-	(81,747,753)
Furniture and equipment	(2,753,724)	(129,028)	-	(2,882,752)
Total accumulated depreciation	(88,479,296)	(5,139,695)	-	(93,618,991)
Net depreciable capital assets	51,088,486	7,536,492	-	58,624,978
Right-to-use leased assets being amortized				
Furniture and equipment	164,747	-	-	164,747
Accumulated amortization				
Furniture and equipment	(32,949)	(32,949)	-	(65,898)
Net right-to-use leased assets	131,798	(32,949)	-	98,849
Governmental activities capital assets and right-to-use leased assets, net	$ 63,987,958	$ 7,769,625	$ (5,286,779)	$ 66,470,804

Depreciation and amortization expenses were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,168,162
School site administration	256,985
Home-to-school transportation	411,176
Food services	462,573
All other administration	205,588
Plant services	668,160
Total depreciation and amortization expenses - governmental activities	$ 5,172,644

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Fund		
General	$ -	$ 186,815
Non-Major Governmental Funds		
Child Development	186,790	-
Cafeteria	25	-
Total	$ 186,815	$ 186,815

The General Fund owes the Child Development Non-Major Governmental Fund for the Start Smart Preschool Program expenses.	$ 186,790
The General Fund owes the Cafeteria Non-Major Governmental Fund for indirect costs.	25
Total	$ 186,815

Note 6 - Accounts Payable

Accounts payable at June 30, 2022, consist of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 4,107,917	$ 385,677	$ 129,865	$ 4,623,459
LCFF apportionment	3,695,007	-	-	3,695,007
Salaries and benefits	2,257,736	-	32,990	2,290,726
Total	$ 10,060,660	$ 385,677	$ 162,855	$ 10,609,192

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2022, consists of the following:

	General Fund
Federal financial assistance	$ 3,251,120
State categorical aid	1,665,211
Other local	30,255
Total	$ 4,946,586

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	$56,109,969	$ 1,074,594	$ (1,175,000)	$56,009,563	$ 1,330,000
Unamortized premiums, bonds	2,391,486	-	(164,281)	2,227,205	-
Certificates of participation	4,792,513	-	(322,574)	4,469,939	358,821
Unamortized discounts, COPs	(52,029)	-	5,203	(46,826)	-
Financed purchases	125,657	-	(125,657)	-	-
Leases	133,716	-	(31,962)	101,754	32,920
Compensated absences	311,524	-	(56,262)	255,262	-
State preschool loan	10,500	-	(10,500)	-	-
Total	$63,823,336	$ 1,074,594	$ (1,881,033)	$63,016,897	$ 1,721,741

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The Debt Service Fund makes payments for the certificates of participation. The General Fund makes payments on the financed purchases. The leases are paid by the fund using the right-to-use leased asset. The compensated absences will be paid by the fund for which the employee worked. The Child Development Fund makes payments on the State Preschool loan.

General Obligation Bonds

On September 24, 2008, the District issued $25,000,000 of 2008 Election, Series A and Series B General Obligation Bonds, to finance the acquisition, construction and improvement of certain public facilities of the District, prepay certain outstanding certificates of participation of the District, and pay certain costs of issuance of the bonds.

On March 1, 2018, the District issued 2008 Election, Series C General Obligation Bonds in the total amount of $19,996,475. The bonds were issued as current interest bonds in the amount of $6,275,000 and capital appreciation bonds in the amount of $13,721,475. The bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities, pay capitalized interest for the bonds, and pay certain costs of issuance of the bonds.

On March 1, 2018, the District issued $18,670,000 of 2018 General Obligation Refunding Bonds, Series A. The bonds were issued to refund, on a current basis, the District's 2008A General Obligation Bonds maturing on July 1, 2022, through and including July 1, 2023, and to pay the cost of issuance of the bonds.

On July 7, 2020, the District issued 2008 Election, Series D General Obligation Bonds in the total amount of $14,990,555. The bonds were issued as current interest bonds in the amount of $2,485,000 and capital appreciation bonds in the amount of $12,505,555. The bonds were issued to fund certain capital projects of the District approved by voters at an election conducted on June 3, 2008, to prepay the District's Taxable Certificates of Participation, 2010 Series A, currently outstanding in the aggregate par amount of $11,000,000, and to pay the cost of issuance of the Bonds.

The outstanding general obligation bonded debt is as follows:

Fiscal Year Issued	Series	Maturity Year	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
2018	2008C	2042	4.07 - 4.35	$ 13,721,475	$ 13,721,475	$ -	$ -	$ 13,721,475
Accreted interest bonds				-	1,984,260	668,207	-	2,652,467
2008	2008B	2033	2.2 - 7.2	25,000,000	3,100,000	-	(95,000)	3,005,000
2018	2008C	2033	3.0 - 5.0	6,275,000	5,120,000	-	(285,000)	4,835,000
2018	2018R	2033	2.0 - 5.0	18,670,000	16,890,000	-	(660,000)	16,230,000
2021	2008D	2033	4.0	2,485,000	2,400,000	-	(135,000)	2,265,000
2021	2008D	2046	2.8 - 4.0	12,505,555	12,505,555	-	-	12,505,555
Accreted interest bonds				-	388,679	406,387	-	795,066
Total					$ 56,109,969	$ 1,074,594	$ (1,175,000)	$ 56,009,563

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2034	$ 1,821,513	$ 339,670	$ 2,161,183	$ 1,343,817	$ 3,505,000
2035	2,078,439	354,737	2,433,176	1,606,824	4,040,000
2036	2,065,121	355,416	2,420,537	1,784,463	4,205,000
2037	1,729,749	292,645	2,022,394	1,627,606	3,650,000
2038	2,117,203	316,000	2,433,203	2,011,797	4,445,000
2039-2043	9,043,531	1,308,833	10,352,364	10,707,636	21,060,000
2044-2048	7,371,473	480,233	7,851,706	7,968,294	15,820,000
Total	$ 26,227,029	$ 3,447,534	$ 29,674,563	$ 27,050,437	$ 56,725,000

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2023	$ 1,330,000	$ 1,215,012	$ 2,545,012
2024	1,505,000	1,147,409	2,652,409
2025	1,685,000	1,070,268	2,755,268
2026	1,885,000	983,641	2,868,641
2027	2,095,000	886,626	2,981,626
2028-2032	14,200,000	2,604,852	16,804,852
2033	3,635,000	140,031	3,775,031
Total	$ 26,335,000	$ 8,047,839	$ 34,382,839

Certificates of Participation

2013 Issuances

In May 2013, the District issued $6,723,066 of certificates of participation, with interest of 3.5% in two private placements for the installation of the district-wide solar project. The certificates of participation have quarterly principal and interest payment requirements. The principal payments commence February 1, 2014, while the interest payments commenced on June 1, 2013. The obligation will be paid in full by November 1, 2030.

Year Ending June 30,	Principal	Interest	Total
2023	$ 358,821	$ 151,882	$ 510,703
2024	397,495	138,824	536,319
2025	438,734	124,380	563,114
2026	482,684	108,457	591,141
2027	529,499	90,957	620,456
2028-2031	2,262,706	155,324	2,418,030
Total	$ 4,469,939	$ 769,824	$ 5,239,763

Leases

The District has entered into agreements to lease various facilities and equipment. The District's liability on lease agreements is summarized below:

Lease	Leases Outstanding July 1, 2021	Addition	Payments	Leases Outstanding June 30, 2022
Copier Lease	$ 133,716	$ -	$ (31,962)	$ 101,754

Copier Lease

The District entered an agreement to lease copiers for five years, beginning October 1, 2020. Under the terms of the lease, the District will pay yearly payments of $35,973, which amounted to total principal and interest costs of $179,867. The annual interest rate charged on the lease is 3%. At June 30, 2022, the District has recognized a right-to-use leased asset of $164,749 and a lease liability of $101,754 related to this agreement. During the fiscal year, the District recorded $32,949 in amortization expense and $4,011 in interest expense for the right-to-use of the copiers. The District also pays for each additional copy in excess of the contracted amount, which are not included in the measurement of the lease liability as they are variable in nature.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 32,920	$ 3,053	$ 35,973
2024	33,908	2,065	35,973
2025	34,926	1,047	35,973
Total	$ 101,754	$ 6,165	$ 107,919

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $255,262.

Preschool Revolving Facilities Loan

The District has entered into an agreement to fund facilities acquisitions with an interest free loan with the California Department of Education. The District's liability on this agreement is summarized below:

	Amount
Balance, July 1, 2021	$ 10,500
Payments	(10,500)
Balance, July 1, 2022	$ -

Note 9 - Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 27,707,272	$ 3,327,926	$ 3,355,032	$ 3,056,055
Medicare Premium Payment (MPP) Program	439,228	-	-	(60,046)
Total	$ 28,146,500	$ 3,327,926	$ 3,355,032	$ 2,996,009

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	46
Active employees	749
Total	795

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Salinas Elementary Teachers' Council (SETC), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, SETC, CSEA, and the unrepresented groups. For measurement period of June 30, 2022, the District paid $775,610 in benefits including additional amounts included for the implicit rate subsidy.

Total OPEB Liability of the District

The District's total OPEB liability of $27,707,272 was measured as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	3.54%
Healthcare cost trend rates	4.00%

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

The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. The mortality assumptions are based on the 2017 CalPERS Retiree Mortality for All Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables.

The actuarial assumptions used in the June 30, 2021, valuation was based on the results of an actual experience study for the period July 1, 2020, to June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2021	$ 29,109,983
Service cost	2,184,457
Interest	643,991
Changes of assumptions or other inputs	(3,455,549)
Benefit payments	(775,610)
Net change in total OPEB liability	(1,402,711)
Balance, June 30, 2022	$ 27,707,272

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The discount rate assumption was changed from 2.16% to 3.54%.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.54%)	$ 30,268,932
Current discount rate (3.54%)	27,707,272
1% increase (4.54%)	25,881,759

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	$ 24,105,304
Current healthcare cost trend rate (4%)	27,707,272
1% increase (5%)	31,886,692

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30,2022, the District recognized OPEB expense of $3,056,055. At June 30, 2022, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,033,925	$ 15,632
Changes of assumptions	2,294,001	3,339,400
Total	$ 3,327,926	$ 3,355,032

The deferred outflows of resources and deferred inflows of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 227,607
2024	227,607
2025	227,607
2026	227,607
2027	227,607
Thereafter	(1,165,141)
Total	$ (27,106)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of $439,228 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1101% and 0.1178%, resulting in a net decrease in the proportionate share of 0.0077%.

For the year ended June 30, 2022, the District recognized OPEB expense of $(60,046).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	June 30, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 484,149
Current discount rate (2.16%)	439,228
1% increase (3.16%)	400,486

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 399,426
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	439,228
1% increase (5.50% Part A and 6.40% Part B)	484,859

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 10,000	$ -	$ -	$ 10,000
Stores inventories	-	-	96,395	96,395
Total nonspendable	10,000	-	96,395	106,395
Restricted				
Legally restricted programs	14,367,252	-	166,715	14,533,967
Student activities	-	-	413,148	413,148
Food service	-	-	2,469,981	2,469,981
Capital projects	-	5,612,936	555,825	6,168,761
Debt services	-	-	2,440,410	2,440,410
Total restricted	14,367,252	5,612,936	6,046,079	26,026,267
Assigned				
LCAP curriculum and instructional materials	5,895,204	-	-	5,895,204
Early childhood education	10,000,000	-	-	10,000,000
Technology needs	2,000,000	-	-	2,000,000
District-wide safety safety measures	2,500,000	-	-	2,500,000
Salary negotiations deficit	5,700,000	-	-	5,700,000
Student nutrition	1,055,756	-	-	1,055,756
Capital projects	2,500,000	-	5	2,500,005
Other assigned	3,695	-	-	3,695
Total assigned	29,654,655	-	5	29,654,660
Unassigned				
Reserve for economic uncertainties	4,015,509	-	-	4,015,509
Total	$ 48,047,416	$ 5,612,936	$ 6,142,479	$ 59,802,831

Note 11 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is a member of the Monterey and San Benito Counties Liability/Property Joint Powers Authority (MSBCLP), a joint powers authority, for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2022, the District participated in the Monterey Educational Risk Management Authority (MERMA), an insurance purchasing pool. The intent of MERMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MERMA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERMA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MERMA. Participation in MERMA is limited to districts that can meet MERMA selection criteria.

Employee Medical Benefits

The District has contracted with the Municipalities, Colleges, Schools Insurance Group (MCSIG) to provide employee health benefits. MCSIG is a shared risk pool comprised of member districts in Monterey County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 33,338,567	$ 17,540,972	$ 34,018,677	$ 2,465,025
CalPERS	23,074,196	5,806,475	9,956,999	2,701,116
Total	$ 56,412,763	$ 23,347,447	$ 43,975,676	$ 5,166,141

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $6,944,060.

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

At 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:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 33,338,567
State's proportionate share of the net pension liability	16,774,674
Total	$ 50,113,241

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0733% and 0.0676%, resulting in a net increase in the proportionate share of 0.0057%.

For the year ended June 30, 2022, the District recognized pension expense of $2,465,025. In addition, the District recognized pension expense and revenue of $573,925 for support provided by the State. 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
Pension contributions subsequent to measurement date	$ 6,944,060	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,789,677	4,099,094
Differences between projected and actual earnings on pension plan investments	-	26,371,665
Differences between expected and actual experience in the measurement of the total pension liability	83,515	3,547,918
Changes of assumptions	4,723,720	-
Total	$ 17,540,972	$ 34,018,677

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (6,696,822)
2024	(6,125,404)
2025	(6,277,416)
2026	(7,272,023)
Total	$ (26,371,665)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 1,903,258
2024	1,655,839
2025	(112,460)
2026	(220,599)
2027	(471,244)
Thereafter	195,106
Total	$ 2,949,900

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 67,865,391
Current discount rate (7.10%)	33,338,567
1% increase (8.10%)	4,681,963

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were $4,063,345.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $23,074,196. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1135% and 0.1103%, resulting in a net decrease in the proportionate share of 0.0032%.

For the year ended June 30, 2022, the District recognized pension expense of $2,701,116. 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
Pension contributions subsequent to measurement date	$ 4,063,345	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,054,306	1,047,414
Differences between projected and actual earnings on pension plan investments	-	8,855,190
Differences between expected and actual experience in the measurement of the total pension liability	688,824	54,395
Total	$ 5,806,475	$ 9,956,999

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (2,220,874)
2024	(2,042,292)
2025	(2,129,223)
2026	(2,462,801)
Total	$ (8,855,190)

The deferred outflows of resources and deferred inflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 557,244
2024	(99,612)
2025	163,592
2026	20,097
Total	$ 641,321

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 38,906,334
Current discount rate (7.15%)	23,074,196
1% increase (8.15%)	9,930,124

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to contribute to Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,711,449 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

Note 14 - Participation in Joint Powers Authorities

The District is a member of the Monterey Educational Risk Management Authority (MERMA), the Municipalities, Colleges, Schools Insurance Group (MCSIG), and the Monterey and San Benito Counties Liability/Property Joint Powers Authority (MSBCLP) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its workers' compensation, health and welfare, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has one administrator appointed to the governing board of MERMA.

During the year ended June 30, 2022, the District made payments of $1,655,953 to MERMA for workers' compensation coverage.

The District has one administrator appointed to the governing board of MCSIG.

During the year ended June 30, 2022, the District made payments of $14,419,633 to MCSIG for health and welfare coverage.

The District has one administrator appointed to the governing board of MSBCLP.

During the year ended June 30, 2022, the District made payments of $681,408 to MSBCLP for property and liability coverage.

Note 15 - Adoption of New Accounting Standard and Correction of Error

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Additionally, the beginning net position was restated as a result of errors noted in the accumulated depreciation account in the prior year. Beginning net position was restated as follows:

Governmental Activities	
Net Position - Beginning	$ (47,582,955)
Right-to-use intangible asset, net of amortization	131,798
Lease liability	(133,716)
Restatement to equipment accumulated depreciation	357,932
Net Position - Beginning, as Restated	$ (47,226,941)

Required Supplementary Information
June 30, 2022

Salinas City Elementary School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 93,612,562	$ 95,723,561	$ 96,121,206	$ 397,645
Federal sources	15,496,630	40,023,601	13,048,749	(26,974,852)
Other State sources	18,998,100	27,411,286	23,963,700	(3,447,586)
Other local sources	5,377,675	8,831,624	8,382,324	(449,300)
Total revenues [1]	133,484,967	171,990,072	141,515,979	(30,474,093)
Expenditures				
Current				
Certificated salaries	48,593,391	47,960,329	43,639,929	4,320,400
Classified salaries	15,740,055	18,800,056	16,237,481	2,562,575
Employee benefits	34,097,511	34,859,363	36,996,971	(2,137,608)
Books and supplies	14,149,183	27,520,751	13,148,554	14,372,197
Services and operating expenditures	18,904,611	27,600,718	16,915,825	10,684,893
Other outgo	4,857,851	3,522,987	(970,729)	4,493,716
Capital outlay	803,037	5,211,906	3,047,462	2,164,444
Debt service				
Debt service - principal	148,855	148,855	125,657	23,198
Debt service - interest and other	27,988	27,988	(2,312)	30,300
Total expenditures [1]	137,322,482	165,652,953	129,138,838	36,514,115
Net Change in Fund Balances	(3,837,515)	6,337,119	12,377,141	6,040,022
Fund Balance - Beginning	35,670,275	35,670,275	35,670,275	-
Fund Balance - Ending	$ 31,832,760	$ 42,007,394	$ 48,047,416	$ 6,040,022

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 2,184,457	$ 1,343,344	$ 1,304,217	$ 1,183,977	$ 1,192,598
Interest	643,991	605,773	867,261	848,479	779,746
Difference between expected and actual experience	-	1,055,470	(23,450)	236,559	-
Changes of assumptions	(3,455,549)	(157,010)	3,130,853	372,179	-
Benefit payments	(775,610)	(1,202,148)	(1,224,854)	(1,345,619)	(1,301,241)
Net change in total OPEB liability	(1,402,711)	1,645,429	4,054,027	1,295,575	671,103
Total OPEB Liability - Beginning	29,109,983	27,464,554	23,410,527	22,114,952	21,443,849
Total OPEB Liability - Ending	$ 27,707,272	$ 29,109,983	$ 27,464,554	$ 23,410,527	$ 22,114,952
Covered Payroll	N/A [1]	N/A [1]	N/A [1]	N/A [1]	N/A [1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A [1]	N/A [1]	N/A [1]	N/A [1]	N/A [1]
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1101%	0.1178%	0.1289%	0.1240%	0.1231%
Proportionate share of the net OPEB liability	$ 439,228	$ 499,274	$ 479,964	$ 474,447	$ 518,003
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

	2022	2021	2020	2019
CalSTRS				
Proportion of the net pension liability	0.0733%	0.0676%	0.0729%	0.0691%
Proportionate share of the net pension liability	$ 33,338,567	$ 65,523,327	$ 65,801,558	$ 63,468,824
State's proportionate share of the net pension liability	16,774,674	33,777,283	35,899,143	36,338,870
Total	$ 50,113,241	$ 99,300,610	$ 101,700,701	$ 99,807,694
Covered payroll	$ 39,611,263	$ 37,111,538	$ 39,058,538	$ 39,630,485
Proportionate share of the net pension liability as a percentage of its covered payroll	84.16%	176.56%	168.47%	160.15%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS				
Proportion of the net pension liability	0.1135%	0.1103%	0.1144%	0.1082%
Proportionate share of the net pension liability	$ 23,074,196	$ 33,851,742	$ 33,346,405	$ 28,851,559
Covered payroll	$ 16,289,174	$ 15,955,474	$ 16,050,554	$ 14,529,753
Proportionate share of the net pension liability as a percentage of its covered payroll	141.65%	212.16%	207.76%	198.57%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Note: In the future, as data becomes available, ten years of information will be presented.

	2018	2017	2016	2015
CalSTRS				
Proportion of the net pension liability	0.0680%	0.0714%	0.0678%	0.0648%
Proportionate share of the net pension liability	$ 62,895,338	$ 57,719,072	$ 45,668,903	$ 37,857,550
State's proportionate share of the net pension liability	37,208,351	32,858,438	24,153,815	22,860,023
Total	$ 100,103,689	$ 90,577,510	$ 69,822,718	$ 60,717,573
Covered payroll	$ 36,901,002	$ 35,874,641	$ 31,705,563	$ 28,219,164
Proportionate share of the net pension liability as a percentage of its covered payroll	170.44%	160.89%	144.04%	134.16%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS				
Proportion of the net pension liability	0.1037%	0.0981%	0.0956%	0.0807%
Proportionate share of the net pension liability	$ 24,767,362	$ 19,383,049	$ 14,093,540	$ 9,163,762
Covered payroll	$ 13,333,533	$ 11,810,914	$ 10,580,715	$ 8,194,328
Proportionate share of the net pension liability as a percentage of its covered payroll	185.75%	164.11%	133.20%	111.83%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

	2022	2021	2020	2019
CalSTRS				
Contractually required contribution	$ 6,944,060	$ 6,397,219	$ 6,346,073	$ 6,358,730
Less contributions in relation to the contractually required contribution	6,944,060	6,397,219	6,346,073	6,358,730
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 41,040,544	$ 39,611,263	$ 37,111,538	$ 39,058,538
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%
CalPERS				
Contractually required contribution	$ 4,063,345	$ 3,371,859	$ 3,146,579	$ 2,899,051
Less contributions in relation to the contractually required contribution	4,063,345	3,371,859	3,146,579	2,899,051
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 17,736,120	$ 16,289,174	$ 15,955,474	$ 16,050,554
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%

Note: In the future, as data becomes available, ten years of information will be presented.

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 5,718,679	$ 4,642,146	$ 3,849,349	$ 2,815,454
Less contributions in relation to the contractually required contribution	5,718,679	4,642,146	3,849,349	2,815,454
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 39,630,485	$ 36,901,002	$ 35,874,641	$ 31,705,563
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 2,256,616	$ 1,851,761	$ 1,399,239	$ 1,245,456
Less contributions in relation to the contractually required contribution	2,256,616	1,851,761	1,399,239	1,245,456
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 14,529,753	$ 13,333,533	$ 11,810,914	$ 10,580,715
Contributions as a percentage of covered payroll	15.531%	13.888%	11.847%	11.771%

Note: In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The discount rate assumption was changed from 2.16% to 3.54%.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plan's fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* **-** The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2022

Salinas City Elementary School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	$ 1,257,742
Special Education Grants to States - Supporting Inclusive Practices	84.027A	13693	32,000
Special Education Preschool Grants - Preschool Staff Development	84.173A	13839	33,604
Total Special Education Cluster			1,323,346
English Language Acquisition State Grants - IEP	84.365	15146	28,969
English Language Acquisition State Grants - LEP	84.365	14346	108,970
Subtotal			137,939
Migrant Education State Grant Program	84.011	14326	806,906
Migrant Education State Grant Program - Summer	84.011	10005	227,669
Subtotal			1,034,575
COVID-19, Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	168
COVID-19, Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	5,279,502
COVID-19, Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	880,765
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	121,294
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve, Learning Loss	84.425U	15621	2,155
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III, State Reserve, Emgerency Needs	84.425U	15620	66,692
COVID-19, Governor's Emergency Education Relief (GEER) Fund Learning Loss Mitigation	84.425C	15517	175,809
COVID-19, Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	182,660
COVID-19, American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425W	15566	10,365
Subtotal			6,719,410

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Title I Grants to Local Educational Agencies	84.010	14329	3,448,226
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	310,921
Student Support and Academic Enrichment Program	84.424	15396	68,516
Total U.S. Department of Education			13,042,933
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program - Commodity Supplemental Food	10.555	13391	466,078
COVID-19, SNP, Emergency Operational Costs Reimbursement	10.555	15637	321,281
Subtotal			787,359
National School Lunch Program - Summer Food Program	10.559	13004	6,252,154
Total Child Nutrition Cluster			7,039,513
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	493,971
COVID-19, CACFP, Emergency Operational Costs Reimbursement (ECR)	10.558	15577	71,221
Subtotal			565,192
Total U.S. Department of Agriculture			7,604,705

See Notes to Supplementary Information

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through California Department of Education			
Child Care and Development Fund (CCDF) Cluster			
COVID-19, Child Development: ARP California State Preschool Program One-time Stipend	93.575	15640	11,292
COVID-19, Child Development: Coronavirus Response and Relief Supplemental Apportionments Act	93.575	15555	5,364
Total CCDF Cluster			16,656
Total Department of Health and Human Services			16,656
Total Federal Financial Assistance			$ 20,664,294

Organization

The Salinas City Elementary School District was established 1957 and consists of an area comprising approximately fourteen square miles located in Monterey County. The District operates fourteen Transitional Kindergarten through Sixth grade elementary schools. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Francisco Estrada	President	2024
Art Galimba	Vice President	2022
Jessica Powell	Clerk	2022
Amy Ish	Member	2024
Kathryn Ramirez	Member	2022

Administration

Rebeca Andrade, Ed.D.	Superintendent
Gioconda Padilla	Assistant Superintendent, Business Services
Dr. Daisy Morales	Assistant Superintendent, Educational Services
Katie Balesteri	Assistant Superintendent, Human Resources

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,155.20	4,265.76
Fourth through sixth	3,139.52	3,230.47
Total ADA	7,294.72	7,496.23

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Actual Days	Status
Kindergarten	36,000	36,000	180	Complied
Grades 1 - 3	50,400			
Grade 1		51,060	180	Complied
Grade 2		51,060	180	Complied
Grade 3		51,060	180	Complied
Grades 4 - 8	54,000			
Grade 4		54,660	180	Complied
Grade 5		54,660	180	Complied
Grade 6		54,660	180	Complied

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Cafeteria Fund
Fund Balance	
Balance, June 30, 2022, Unaudited Actuals	$ 2,125,186
Increase in	
Accounts receivable	441,190
Balance, June 30, 2022, Audited Financial Statements	$ 2,566,376

	(Budget) 2023 [1]	2022 [3]	2021 [1]	2020 [1]
General Fund				
Revenues	$ 156,980,025	$ 146,211,549	$ 125,596,336	$ 112,728,163
Expenditures	164,724,624	133,850,321	113,696,605	101,939,210
Other uses and transfers out	-	-	-	784,838
Total expenditures and other uses	164,724,624	133,850,321	113,696,605	102,724,048
Increase in fund balance	(7,744,599)	12,361,228	11,899,731	10,004,115
Ending Fund Balance	$ 40,302,663	$ 48,047,262	$ 35,686,034	$ 23,770,386
Available Reserves [2]	$ 4,941,739	$ 4,015,509	$ 4,570,488	$ 3,081,721
Available Reserves as a Percentage of Total Outgo	3.00%	3.00%	4.02%	3.00%
Long-Term Liabilities [4]	Not Available	$ 147,576,160	$ 192,807,662	$ 185,521,380
Average Daily Attendance at P-2	7,888	7,295	8,145	8,145

The General Fund balance has increased by $24,276,876 over the past two years. The fiscal year 2022-2023 budget projects a decrease of $7,774,599 (16.1%). For a district this size, the State recommends available reserves of at least 3.0% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by $37,945,220 over the past two years.

Average daily attendance has decreased by 850 over the past two years; however, growth of 593 ADA is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.
[3] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund as required by GASB Statement No. 54.
[4] Long-term liabilities balance was restated as of June 30, 2021, due to the implementation of GASB Statement No. 87.

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets									
Deposits and investments	$ 413,148	$ -	$ 676,696	$ 555,763	$ 62	$ 5	$ 2,177,342	$ 263,068	$ 4,086,084
Receivables	-	307,769	1,911,454	-	-	-	-	-	2,219,223
Due from other funds	-	186,790	25	-	-	-	-	-	186,815
Stores inventories	-	-	96,395	-	-	-	-	-	96,395
Total assets	$ 413,148	$ 494,559	$ 2,684,570	$ 555,763	$ 62	$ 5	$ 2,177,342	$ 263,068	$ 6,588,517
Liabilities and Fund Balances									
Liabilities									
Overdrafts	$ -	$ 283,183	$ -	$ -	$ -	$ -	$ -	$ -	$ 283,183
Accounts payable	-	44,661	118,194	-	-	-	-	-	162,855
Total liabilities	-	327,844	118,194	-	-	-	-	-	446,038
Fund Balances									
Nonspendable	-	-	96,395	-	-	-	-	-	96,395
Restricted	413,148	166,715	2,469,981	555,763	62	-	2,177,342	263,068	6,046,079
Assigned	-	-	-	-	-	5	-	-	5
Total fund balances	413,148	166,715	2,566,376	555,763	62	5	2,177,342	263,068	6,142,479
Total liabilities and fund balances	$ 413,148	$ 494,559	$ 2,684,570	$ 555,763	$ 62	$ 5	$ 2,177,342	$ 263,068	$ 6,588,517

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues									
Federal sources	$ -	$ 130,200	$ 7,799,865	$ -	$ -	$ -	$ -	$ -	$ 7,930,065
Other State sources	-	2,064,444	417,078	-	-	-	14,681	-	2,496,203
Other local sources	3,818,805	412,425	(22,338)	76,645	(2)	-	2,968,458	(4,814)	7,249,179
Total revenues	3,818,805	2,607,069	8,194,605	76,645	(2)	-	2,983,139	(4,814)	17,675,447
Expenditures									
Current									
Instruction	-	1,559,248	-	-	-	-	-	-	1,559,248
Instruction-related activities									
Supervision of instruction	-	2,735	-	-	-	-	-	-	2,735
School site administration	-	79,422	-	-	-	-	-	-	79,422
Pupil services									
Food services	-	-	5,675,160	-	-	-	-	-	5,675,160
All other pupil services	-	309,234	-	-	-	-	-	-	309,234
Administration									
All other administration	-	121,066	187,981	-	-	-	-	-	309,047
Ancillary services	3,820,685	-	-	-	-	-	-	-	3,820,685
Enterprise services	-	396,635	-	-	-	-	-	-	396,635
Debt service									
Principal	-	10,500	-	-	-	-	1,175,000	322,574	1,508,074
Interest and other	-	-	-	-	-	-	1,274,644	163,639	1,438,283
Total expenditures	3,820,685	2,478,840	5,863,141	-	-	-	2,449,644	486,213	15,098,523
Net Change in Fund Balances	(1,880)	128,229	2,331,464	76,645	(2)	-	533,495	(491,027)	2,576,924
Fund Balance - Beginning	415,028	38,486	234,912	479,118	64	5	1,643,847	754,095	3,565,555
Fund Balance - Ending	$ 413,148	$ 166,715	$ 2,566,376	$ 555,763	$ 62	$ 5	$ 2,177,342	$ 263,068	$ 6,142,479

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Salinas City Elementary School District (the District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position or fund balance nor changes thereof for the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had food commodities totaling $466,078 in inventory.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consists of Child Development: Coronavirus Response and Relief Supplemental Apportionments Act One-Time Stipend, Supply Chain Assistance (SCA) Funds, and Pandemic EBT Local Administrative Grant. These unspent balances are reported as legally restricted ending balances within the General Fund. Additionally, the COVID-19 Child Development: Coronavirus Response and Relief Supplemental Apportionments Act was spent in the current year but the revenue was recognized in the previous fiscal year.

Description	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues reported on the financial statements		$ 20,978,814
Child Development: Coronavirus Response and Relief Supplemental Apportionments Act One-Time Stipend	93.575	(118,909)
Supply Chain Assistance (SCA) Funds	10.555	(195,160)
Pandemic EBT Local Administrative Grant	10.649	(5,815)
COVID-19, Child Development: Coronavirus Response and Relief Supplemental Apportionments Act	93.575	5,364
Total Federal Financial Assistance		$ 20,664,294

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Reports
June 30, 2022

Salinas City Elementary School District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
Salinas City Elementary School District
Salinas, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salinas City Elementary School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Salinas City Elementary School District's basic financial statements and have issued our report thereon dated June 16, 2023.

Emphasis of Matter - Adoption of New Accounting Standard

As discussed in Notes 1 and 15 to the financial statements, the Salinas City Elementary School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, Leases, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Emphasis of Matter - Correction of an Error

As discussed in Note 15 to the financial statements, an error was discovered in the current year related to the beginning balance of the Capital Assets-Equipment Accumulated Depreciation also restating the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salinas City Elementary School 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 Salinas City Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Salinas City Elementary School 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Salinas City Elementary School District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Salinas City Elementary School District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Salinas City Elementary School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Fresno, California
June 16, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Salinas City Elementary School District
Salinas, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salinas City Elementary 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 Salinas City Elementary School District's major federal programs for the year ended June 30, 2022. Salinas City Elementary 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, Salinas City Elementary School District complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and 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 Salinas City Elementary 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 Salinas City Elementary 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 Salinas City Elementary 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 Salinas City Elementary School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Salinas City Elementary School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Salinas City Elementary 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 Salinas City Elementary 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 Salinas City Elementary 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.

Eide Bailly LLP

Fresno, California
June 16, 2023

Independent Auditor's Report on State Compliance

To the Governing Board
Salinas City Elementary School District
Salinas, California

Report on Compliance

Opinion on State Compliance

We have audited Salinas City Elementary School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the 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 (GAAS), 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 K-12 Local Education Agencies and State Compliance Reporting*. 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 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 opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of 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 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 K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a 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 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 K-12 Local Education Agencies and State Compliance Reporting*, we:

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

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	Yes
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	No (see below)
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No (see below)
In Person Instruction Grant	Yes
Charter Schools	
Attendance	No (see below)
Mode of Instruction	No (see below)
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	No (see below)
Annual Instructional Minutes - Classroom Based	No (see below)
Charter School Facility Grant Program	No (see below)

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2020-2021 that were in Kindergarten in 2021-2022.

We did not perform Continuation Education procedures because the program is not offered by the District.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

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.

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Fresno, California
June 16, 2023

Schedule of Findings and Questioned Costs
June 30, 2022

Salinas City Elementary School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
Title I Grants to Local Educational Agencies	84.010
COVID-19, Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19, Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19, Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve, Learning Loss	84.425U
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III, State Reserve, Emgerency Needs	84.425U
COVID-19, Governor's Emergency Education Relief (GEER) Fund Learning Loss Mitigation	84.425C
COVID-19, Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID-19, American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425W
Migrant Education State Grant Program	84.011

Dollar threshold used to distinguish between type A and type B programs	$ 750,000

Federal Awards

Auditee qualified as low-risk auditee?	No

State Compliance

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

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2022-001 30000 – Internal Control Over Financial Reporting

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During our audit of the capital assets, we discovered the reported capital assets' beginning balance does not agree to the capital asset database. Additionally, we discovered a transaction that was not recorded. The transaction would have recorded the federal and state revenues and the corresponding receivable for the December 2021 Seamless Summer Feeding Option (SSFO) claim for reimbursement.

These errors resulted in the District not preparing financial statements in accordance with generally accepted accounting principles.

Effect

A prior period audit adjustment was necessary to ensure the capital assets are correctly reported going forward and the amount of the unaccrued reimbursement was material to the Cafeteria Fund and an audit adjustment was necessary. The adjustments decreased the accumulated depreciation by $357,932 and the Cafeteria fund increased accounts receivable and revenue by $411,189.

Cause

The cause of these conditions identified appears to be due to staff turnover/shortages in the business services department over the past several years resulting in breakdowns in the review and tracking process of the District's capital assets including the accumulation of the historical costs relating to projects in process. The Cafeteria fund error was due to the District not recording the December SSFO claim.

Repeat Finding

Yes.

Recommendation

We recommend management evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Corrective Action Plan and Views of Responsible Officials

Management continues to work with MOTS and Food Service staff to tighten internal controls surrounding tracking of assets and to ensure timely filing of claims. Normally a thorough review of the District's financial statements, including all adjusting entries, reclassifying entries and conversion entries is conducted while we close our books by the District's business department. The COVID pandemic and turnover in key positions over the last few years has impacted these procedures. We have aligned these reconciling tasks to current positions to ensure material errors do not occur in the future.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2021-001 30000

Internal Control Over Financial Reporting

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. School districts are responsible for maintaining accurate financial statement information including properly recording and reporting all financial transactions and balances.

Condition

During our audit of the capital assets, we discovered that the reported capital assets' beginning balance does not agree to the capital asset database. A difference of $771,566 net of depreciation was noted. Additionally, upon review of the capital asset listing, we noted several items, such as buses and an oven, dating back to 1990 (31 years). Thus, indicating the capital asset database is not being updated for disposals. Additionally, we discovered a transaction that was not recorded. The transaction would have recorded the federal and state revenues and the corresponding receivable for the June 2021 Seamless Summer Feeding Option (SSFO) claim for reimbursement.

Effect

A prior period audit adjustment was necessary to ensure the capital assets are correctly reported going forward and the amount of the unaccrued reimbursement was material to the Cafeteria Fund and an audit adjustment was necessary. The adjustment increased the accounts receivable and revenue by $121,253.

Cause

These types of adjustments are rare for school districts. A few factors contributed to the oversight. The District's business/fiscal services office experienced turnover during the year. Additionally, the COVID-19 pandemic had the business office working, at times, in a partially remote environment; that, coupled with additional responsibilities and issues requiring attention regarding COVID-19 grants and the distance learning/new independent study program coordination and planning we feel led to the oversight.

Repeat Finding

This finding is not a repeat of or related to a finding in the previous year.

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department. Additionally, the District should ensure that the capital asset database is updated for disposals.

Current Status

Not implemented, see current year findings and recommendations.

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

SUMMARY OF CURRENT YEAR FINANCIAL STATEMENT FINDING

Corrective Action Plan

Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS

Finding 2022-001

Internal Control Over Financial Reporting

This finding is a repeat finding.

Management's or Department's Response:
We concur.

Views of Responsible Officials and Corrective Action:

Responsible Person:

Nikki Herring, Director of Fiscal Services

Projected Date of Corrective Action:
June 30, 2022

Corrective Action Plan and Views of Responsible Official:

Management continues to work with MOTS and Food Service staff to tighten internal controls surrounding tracking of assets and to ensure timely filing of claims. Normally a thorough review of the District's financial statements, including all adjusting entries, reclassifying entries and conversion entries is conducted while we close our books by the District's business department. The COVID pandemic and turnover in key positions over the last few years has impacted these procedures. We have aligned these reconciling tasks to current positions to ensure material errors do not occur in the future.

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APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF MONTEREY

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The District comprises only a portion of Monterey County, California (the "County"), and the Bonds are only payable from ad valorem property taxes levied on property in the District. The following information concerning the County is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the County.

The historical data and results presented in the tables that follow may differ materially from future results as a result of economic or other factors, including as a result of the impact of COVID-19. For more information on the impact of the COVID-19 pandemic, see "DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact" and "-Impact of COVID-19 on California School Districts" herein.

Introduction

The City. The District is located within the County, in the city of Salinas (the "City") in the central coast region of California. The City became the seat of the County in 1872 and incorporated on March 4, 1874. The City is the most populous in the County, spanning approximately 23.45 square miles. Formed by a charter, the City has the Council-Manager form of government. The City Council is comprised of seven members consisting of the Mayor, who is elected at large, and six Councilmembers, elected by one of the six districts. The City Councilmembers serve four-year staggered terms and the Mayor serves a two year term. The City is the main business, governmental, and industrial center of the region and is particularly known for its vibrant agriculture industry.

The County. The County, incorporated in 1850 was one of California's original 27 counties. Today the County spans 3,771 square miles with the Pacific Ocean bordering the County to the west, including nearly 100 miles of coastline, San Luis Obispo County bordering the South, Santa Cruz County borders the North, and San Benito County, Fresno County, and Kings County border the east. Monterey is the twenty-first largest county in California and the third largest agricultural county in California. The County is governed by a five-member Board of Supervisors, each representing a distinct geographic area composed of approximately the same amount of residents. The five Supervisors are elected by the voters of their district to serve four-year terms, with a term limit of three years.

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Population

The following table shows historical population statistics for the cities in the County as well as the County since 2018.

POPULATION
Cities of the County and the County of Monterey
Calendar Years 2018 through 2022

	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

(1) Provisional population estimates for January 1, 2022, for the counties and cities.
Source: *State of California, Department of Finance.*

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Employment

The table below provides the California Employment Development Department's estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry in the County from calendar years 2017 through 2021.

WAGE AND SALARY EMPLOYMENT
County of Monterey
Calendar Years 2017 through 2021(1)

Industry Category	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 and Logging	200	200	300	200	200
Construction	6,000	6,400	6,500	6,200	6,400
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
Leisure & Hospitality	24,500	25,300	26,100	18,800	20,300
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

(1) Figures are based on a March, 2021 benchmark.
Source: *State of California Employment Development Department, Labor Market Information Division.*

The following table summarizes the labor force, employment and unemployment figures for the County, the State and the United States from 2017 through 2021.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT[(1)]
County of Monterey, State of California and United States
2017 through 2021

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[(2)]
2017				
Monterey County	219,500	203,600	15,900	7.2%
California	19,185,400	18,258,100	927,300	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
Monterey County	221,900	207,600	14,300	6.4%
California	19,289,500	18,468,100	821,400	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
Monterey County	221,500	207,500	14,100	6.4%
California	19,409,400	18,612,600	796,800	4.1
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
Monterey County	213,800	189,800	24,000	11.2%
California	18,931,100	16,996,700	1,934,500	10.2
United States	160,742,000	147,795,000	12,947,000	8.1
2021				
Monterey County	211,900	194,300	17,500	8.3%
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3

(1) The unemployment rate is calculated using unrounded data. Data may not add due to rounding.
Source: *California State Employment Development Department and U.S. Bureau of Labor Statistics.*

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Personal Income

The following tables show the personal income and per capita personal income for the County, the State of California 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. Department of Commerce, Bureau of Economic Analysis*

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

(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. Department of Commerce, Bureau of Economic Analysis.*

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Major Employers

The following table sets forth the major employers in the County in 2022 in alphabetical order.

MAJOR EMPLOYERS
County of Monterey
2022

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

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Commercial Activity

A summary of taxable sales within the County for years 2017 through 2021 is shown in the following table.

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

Year	Retail and Food Number of Outlets	Retail and Food Taxable Transactions	Total Number of Outlets	Total Outlets 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.*

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Salinas City Elementary School District (the "District") in connection with the execution and delivery of $_______________ aggregate principal amount of the District's General Obligation Bonds, 2022 Election (Measure G), 2023 Series A (the "Measure G Bonds") and General Obligation Bonds, 2022 Election (Measure H), 2023 Series A (the "Measure H Bonds" and, collectively, the "Bonds). The Measure G Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on June 20, 2023 (the "Measure G Resolution") and the Measure H Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on June 20, 2023 (the "Measure H Resolution and together with the Measure G Resolution, the "Resolutions"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in each of the Resolutions.

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 participating underwriter (the "Underwriter") 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. The Dissemination Agent shall be Dale Scott & Company, Inc.

"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.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"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. <u>CUSIP Numbers and Final Official Statement</u>. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated ____________, 2022 ("Final Official Statement").

SECTION 4. <u>Provision of Annual Reports</u>.

(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 March 1, commencing with the report for the fiscal year ending June 30, 2023, which would be due on March 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, in a timely manner, shall send a notice 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. <u>Content of Annual Report</u>. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year, or current fiscal year, if available at the time of filing the Annual Report (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) State funding received by the District for the last completed fiscal year;

(ii) Outstanding indebtedness and lease obligations;

(iii) the District's adopted budget for the current fiscal year;

(iv) Enrollment and revenue limit information, or equivalent information, as may be reasonably available;

(v) Total assessed valuation of taxable property within the District, for the current fiscal year;

(vi) Current year secured ad valorem tax charges and delinquencies for levies within the District's boundaries or, if not available at the time of filing of the Annual Report, for the prior fiscal year; and

(vii) Top twenty largest local secured taxpayers.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated 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 District 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) Optional, unscheduled or contingent 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 Trustee or the change of name of a Paying Agent or Trustee; or

(viii) Incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(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: ________________, 2023

SALINAS CITY ELEMENTARY SCHOOL DISTRICT

By:____
Superintendent

Acceptance of duties as Dissemination Agent:

DALE SCOTT & COMPANY, INC.

By:_____________________________________
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Salinas City Elementary School District

Name of Issue: $_____________ General Obligation Bonds, 2022 Election (Measure G), 2023 Series A
and
$_____________ General Obligation Bonds, 2022 Election (Measure H), 2023 Series A

Date of Issuance: __________, 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 ___________, 2023. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: _________________________

[ISSUER/DISSEMINATION AGENT]

By:_______________________________________

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APPENDIX E

MONTEREY COUNTY INVESTMENT POLICY STATEMENT

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COUNTY OF MONTEREY TREASURER'S INVESTMENT POLICY

FISCAL YEAR 2023-2024

APPROVED BY THE BOARD OF SUPERVISORS JULY 25, 2023

COUNTY OF MONTEREY INVESTMENT POLICY

TABLE OF CONTENTS

2023-2024

INVESTMENT POLICY

Treasurer-Tax Collector
County of Monterey

1.0 Policy

It is the policy of the Treasurer-Tax Collector of the County of Monterey ("Treasurer") to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands or liquidity needs of the Treasury Pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. In addition, it is the Treasurer's Policy to invest all funds in strict conformance with all state statutes governing the investment of public monies.

2.0 Scope

This Investment Policy applies to all financial assets in the Treasury Pool. The Policy does not apply to bond proceeds, which are governed by their respective bond documents. These funds are accounted for in the Comprehensive Annual Financial Reports of the County and each of the Treasury Pool's participating agencies.

2.1 Participating Agencies

Participants in the Treasurer's Investment Pool shall be limited to the County of Monterey, school districts within Monterey County and those special districts, which, by statute, maintain depository authority with the Treasurer.

2.2 Outside Agency Participation

It is the Treasurer's policy to prohibit any voluntary agency participation in the Treasury Pool.

3.0 Prudence

The Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard[1]. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the Treasurer shall act with care, skill, prudence and diligence under the circumstances then prevailing, 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, a trustee is authorized to acquire investments as authorized by law.

Nothing in this Policy is intended to grant investment authority to any person or governing body except as provided in Sections 53601 and 53607 of the California Government Code.

[1] California Government Code §53600.3

4.0 Objectives

The primary objectives, in priority order, of the County of Monterey's investment activities shall be:

4.1 Safety of Principal

Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity

The investment portfolio shall remain sufficiently liquid to enable all depositors to meet all expenditure requirements that might be reasonably anticipated. A minimum of 30% of the invested assets, including cash held in commercial bank accounts, shall be kept in assets having a maturity of one (1) year or less. In the event that unforeseen cash-flow fluctuations temporarily cause the ratio of liquid assets to decline below 30% of the portfolio balance, no new investments with maturities beyond one year will be made until the minimum percentage is restored. (Custom portfolios are not required to maintain a 30% liquidity rate)

4.3 Return on Investment

The County's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Socially Responsible Investment Consideration

In addition to and subordinate to the objectives set forth in Section 4.0 herein, the Treasurer will be mindful of environmental, social and governance (ESG) principles including, but not limited to, environmental sustainability, social and economic justice, and good corporate governance.

6.0 Delegation of Authority

Subject to amended delegation by the Board of Supervisors pursuant to Government Code Section 53607, the Treasurer is authorized to manage the County of Monterey investment program. The Treasurer shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Procedures should include reference to safekeeping, master repurchase agreements, funds transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions, including a third-party Investment Advisor, if so engaged. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

7.0 Conflict of Interest

Pursuant to Article 2 (commencing with Section 87200) of Chapter 7 of Title 9 of the

Government Code and the regulations of the Fair Political Practices Commission enacted pursuant thereto, the Treasurer shall disclose investments, interests in real properties, and any income received during the period since the previous statement was filed. Such disclosure shall be in writing and shall be filed with the officer designated by law within the time periods specified by law.

7.1 Limits on Honoraria, Gifts and Gratuities

The Treasurer and all designated departmental staff shall be governed by the provisions of the State Political Reform Act and the Treasurer's Conflict of Interest Code, which provide annual limits on the acceptance of monetary or in-kind gifts from any individual, broker, dealer, or firm doing business or seeking to do business with the Treasurer. Those individuals shall be required to file an annual statement of economic interest.

8.0 Authorized Dealers and Institutions

The Treasurer will maintain a list of broker/dealers and institutions authorized to provide investment services. Repurchase agreements and reverse repurchase agreements shall only be made with primary dealers designated by the Federal Reserve Bank of New York. The Treasurer may impose additional qualifications of brokers and their firms in order to ensure professionalism and suitability. At a minimum, all broker/dealers and/or financial institutions authorized to provide investment services to Monterey County shall meet the following criteria:

a. Commercial banks and savings institutions must be authorized as insured with the FDIC, SIPC, or NCUA (credit unions), as applicable.
b. Must hold an active corporate registered status with the Secretary of State (California), or an out-of-state counterpart agency.
c. Commercial banks and savings institutions used for deposits, must be a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, in this state.
d. Must be an active member of the Financial Industry Regulatory Authority (FINRA). Both the firm and any individuals serving the County must be registered to do business in California.

If a third-party Investment Advisor is authorized to conduct investment transactions on the County's behalf, the Investment Advisor may use its own list of approved broker/dealers and financial institutions for investment purposes. The Investment Advisor's approved list must be made available to the County upon request.

8.1 Limitations on Political Contributions

Pursuant to Government Code Section 27133 (c), the Treasurer shall not select for business any broker, brokerage, dealer, or securities firm that has made a political contribution within the last four years 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 County of Monterey Board of Supervisors, or any candidate for those offices.

9.0 Authorized and Suitable Investments.

The authorized investments of the Treasurer are governed by Section 53601 and 53635 of the Government Code of the State of California, and within the limits of any other Government Code Statute that permits public agency investment in various securities or participation in investment trading techniques or strategies. The Treasurer seeks to restrict investments authorized by Code, as defined in Appendix A. Investments excluded from Appendix A are not permitted. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters shall take precedence. A security purchased in accordance with this Policy shall not have a forward settlement date exceeding 45 days from the time of investment.

Rating requirements and percentage limitations, where indicated, apply at the time of purchase.

9.1 Limitations

The Treasurer shall not invest in any security, which, by its structure, term or other characteristics, has the possibility of returning a zero or negative yield or could be subject to a loss of principal at the time such security has attained its maturity date. Investments shall not be made in inverse floaters, range notes, and mortgage-derived interest-only strips.

Notwithstanding the prohibition in the above paragraph, the Treasurer may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. The County may hold these instruments until their maturity dates. This section shall remain in effect only until January 1, 2026, and as of that date is repealed. (Note: this section was added to California Government Code Section 53601.6 from the passage of Senate Bill 998, effective January 1, 2021, in response to the latest round of near-zero interest rates in the U.S. It would provide the County with an alternative should interest rates go negative in the U.S. like they have been in parts of Europe for some time.)

9.2 Reverse Repurchase Agreements

Any reverse repurchase agreement shall have a maximum maturity of 92 days, and the proceeds shall not be invested beyond the expiration of the reverse repurchase agreement. The maximum amount of Reverse Repurchase Agreements shall be limited to 20% of the portfolio’s book value on the date of the transaction.

9.3 Maximum Credit Exposure

The Treasurer shall limit the investments in any single issuer, regardless of the combination of asset class, to no more than 5% of the portfolio’s book value on the date of the transaction, unless otherwise noted in Appendix A. Obligations of the U.S. Treasury, federal agencies, supranational, and pooled investments such as LAIF, CAMP, CalTrust, and money market funds are exempted from this restriction.

9.4 Credit Downgrade

In the event a security held by the County is downgraded below the minimum ratings required by the Policy, the security will be reviewed. The course of action will be determined on a case-by-case basis, considering such factors as the reason for the ratings change, remaining maturity, prognosis for recovery or further ratings changes, and the market price of the security.

10.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts and tri-party master repurchase agreements.

11.0 Investments Outside Treasury Pool

The Treasurer will accept funds for investment outside of the core pooled portfolio (custom invested funds) from depository agencies who also deposit their operating fund in the core portfolio under the following criteria:

a. All such investments are subject to prior approval by the Treasurer.

b. The funds represent proceeds of bonds, other forms of indebtedness, or special purpose funds not required for normal operating expenses, and

c. The funds represent new or additional assets of the agency that were not previously invested in the County of Monterey Investment Pool, or under other conditions approved by the Treasurer, and

d. The funds may be transferred to the core portfolio upon mutual agreement between the depository agency and the Treasurer. Any such transfer will reflect the market value of any securities sold prior to their maturity, where the underlying funds cannot be transferred back to a custom investment outside the core portfolio unless approved by the Treasurer, and

e. Funds may be transferred to the Treasurer's operating (checking) account for further disbursement provided the funds originate from: maturing securities; overnight funds; sold securities subject to subsection 10 (c.) above, and associated earned income on those funds, and

f. Within 7 business days prior to the maturity of any security the depository agency shall inform the Treasurer of the desired disposition of such maturing assets to include, rollover to a new asset, transfer to the core portfolio, or transfer to the Treasurer's operating account subject to the conditions in 10 (a.) through (g.) inclusive, and

g. Any earned income on "custom invested funds" will be segregated from the core portfolio and deposited to an overnight fund designated specifically for such income. Any liquidation or transfer of the underlying asset will invoke a corresponding transfer of the associated earned income.

12.0 Criteria for Withdrawal of Funds from the Treasury Investment Pool Section 27133 (h) and Section 27136 - Government Code

An agency with funds on deposit in the County Treasury where such funds may statutorily be invested outside of the County Treasury may apply for a withdrawal of those funds. Pursuant to Government Code Sections 27133 (h) and 27136, the County Treasurer shall evaluate each proposal for withdrawal of funds. The Treasurer's evaluation shall assess the effect of a proposed withdrawal on the stability and predictability of the investments in the County Treasury Pool. In addition and prior to any withdrawal, the Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the Treasury Pool.

All applications for withdrawal must be submitted by a Resolution of the depository agency at least 30 days in advance of the anticipated date of withdrawal. Resolutions for withdrawal shall include:

a. A statement of the purpose for withdrawal.
b. The date(s) and amount(s) of funds to be withdrawn.
c. A certification that funds withdrawn from the county pool shall be managed by the applicant agency and that withdrawn funds shall not be returned for future investment by the County Treasurer for a term of one year, and
d. An acknowledgement that the value of any funds withdrawn from the County Treasury shall reflect their most recent quarterly asset valuation as reported by the Treasurer.

The Treasurer shall provide an applicant agency a written response within 15 days from receipt of the application. The Treasurer's determination shall be final.

13.0 Maximum Maturities

Any non-marketable investments, such as time deposits, should not exceed a two-year maturity. In addition, no specific investment shall have a term remaining to maturity in excess of five years, unless the Board of Supervisors has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment. For purposes of compliance with this section, an investment's term or remaining maturity shall be measured from the settlement date to final maturity.

13.1 Weighted Average Maturity

The weighted average maturity of the pool portfolio (exclusive of custom investments) shall not exceed two years.

Other special purpose investments where the maturity term is not integral to short term cash flow needs may have a weighted average maturity of greater than two years.

14.0 Audits

The County of Monterey investment portfolio shall be subject to a process of independent review by the Auditor-Controller's internal auditor. The County's external auditors shall review the investment portfolio in connection with the annual county audit and requirements of the Governmental Accounting Standards Board (GASB).

15.0 Performance Standards

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow needs. The County may establish a market-based performance benchmark for comparison.

16.0 Investment Policy Review and Approval

The Treasurer shall submit the Investment Policy to the Board of Supervisors for review and approval at least annually.

16.1 Legislative Changes

Any State of California legislative action that further restricts allowable maturities, investment types, minimum credit requirements, or percentage allocations will be incorporated immediately into the Investment Policy.

17.0 Reporting

Pursuant to Government Code Section 53646 (b) the Treasurer may provide quarterly investment reports to the Board of Supervisors and all pool participants. The report shall include a listing of all securities held in the portfolio. Such listing shall include investment description, maturity date, par, amortized book value, market values and their source, and a risk measurement standard such as duration, along with certifications concerning the portfolio’s compliance with the Policy and the portfolio's available liquidity to meet expenditure requirements for the next six months. The quarterly report shall be submitted to the Board of Supervisors within 45 days of the quarter end being reported.

18.0 Allocation of Investment Costs

The costs of investing, banking, and cash management as budgeted annually and applied quarterly shall be assessed to depositing agencies at the time of quarterly interest apportionment by the County Auditor-Controller, and in accordance with Government Code statutes. Depositing agencies will receive net revenue after pro rata application of costs that correspond to a basis point reduction to earned interest rates.

When actual annual costs of investing are determined, any differences from budgeted amounts shall be included in an adjusting interest allocation by the Auditor-Controller.

19.0 Disaster Recovery

The Treasurer shall maintain a disaster recovery plan and shall include contact information for key personnel as well as active bankers, broker/dealers, and the County’s investment advisor.

APPENDIX A
Authorized Investments County General Pool

Instrument	Maximum Maturity per code	Max %/ Dollar Limit	Government Code Sections
Collateralized bank deposits	5 years	N/A	53630 et seq and 53601(n)
California State Treasurer's Local Agency Investment Fund (LAIF)	N/A	Amount permitted by LAIF per account or as approved by the State Treasurer for bond/note proceeds (Currently $75,000,000)	16429.1
California Asset Management Program (CAMP)	N/A	20%	53601(p)
CalTrust	N/A	20%	53601(p)
Bonds, including revenue bonds, issued by the County, its Agencies, or authorities	5 years	10% limit issuer	53601(a)
U.S. Treasury notes, bonds, bills, or certificates of indebtedness bearing a full faith and credit pledge	5 years	N/A	53601(b)
Registered warrants, notes, and bonds, including revenue bonds, of the State of California and all other 49 states (1)	5 years	10% limit issuer	53601(c) and 53601(d)
Bonds, notes, warrants, and other evidences of indebtedness issued by any local agency within California, including revenue bonds (1)	5 years	10% limit issuer	53601(e)
Obligations of federal agencies and United States government-sponsored enterprises	5 years	N/A	53601(f)
Bankers acceptances (2)	180 days	40%	53601(g)
Prime commercial paper of domestic issuers with assets in excess of $500 million (2)	270 days	40%	53601(h) and 53635(a)(1),(2)
Negotiable certificates of deposit issued by domestic banks, associations, and state- chartered branches of foreign banks (1)	5 years	30%	53601(i)
Reverse repurchase agreements	92 days matched maturities	20%	53601(j)
Repurchase agreements	1 year	20%	53601(j)
Medium term notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States (3)	5 years	30%	53601(k)
Money market mutual funds	N/A	20% Total all funds 10% any one fund	53601(l)
Mortgage-based and asset-backed securities (4)	5 years	20%	53601(o)
U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, and eligible for purchase and sale within the U.S. (4)	5 years	30%	53601(q)
Overall portfolio weighted average maturity	2 years	-----	-----

(1) which are rated in a long-term rating category of "A" or in a short-term rating category of "A-1" or its equivalent, or better at time of purchase by a minimum of one nationally recognized statistical rating organization (NRSRO)
(2) which are rated in a rating category of "A-1" or its equivalent, or better by a minimum of one NRSRO at time of purchase
(3) which are rated in a rating category of "A" or its equivalent, or better by a minimum of one NRSRO at the time of purchase
(4) which are rated in a rating category of "AA" or its equivalent, or better by a minimum of one NRSRO at time of purchase

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 St. Paul, Minnesota. 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 St. Paul, Minnesota, 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.