This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 6, 2024

NEW ISSUE – FULL BOOK-ENTRY **RATING: Moody's: "Aa1"**
(See "MISCELLANEOUS –Rating" herein)

In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; 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. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no other opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$40,000,000*
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A

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

Issuance and Authorization. The $40,000,000* Santa Cruz City Elementary School District (Santa Cruz County, California) General Obligation Bonds, Election of 2022, Series A (the "Bonds") are being issued by the Santa Cruz City Elementary School District (the "District"), located in Santa Cruz County (the "County"), California (the "State"), pursuant to a resolution of the Board of Education of District adopted on October 23, 2024 (the "Resolution") and certain provisions of the Government Code and Education Code of the State.

The Bonds were authorized at an election of the registered voters of the District held on November 8, 2022 (the "Election"), at which the requisite 55% or more of the persons voting on "Measure L" voted to authorize the issuance and sale of up to $122,000,000 principal amount of general obligation bonds of the District (the "2022 Authorization"). The Bonds are the first series of bonds issued under the 2022 Authorization.

Purpose. The Bonds are being issued pursuant to the 2022 Authorization (i) to finance the construction, reconstruction, rehabilitation, acquisition, furnishing and equipping of school facilities of the District, (ii) to fund capitalized interest on the Bonds, and (iii) to pay certain costs of issuance of the Bonds. See "THE BONDS – Authority for Issuance" and "THE BONDS – Purpose of Issue" herein.

Security. The Bonds are general obligations of the District, payable from *ad valorem* taxes to be levied within the boundaries of the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy and collect *ad valorem* taxes upon all property within the boundaries of the District 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 District's payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

Book-Entry Only. The Bonds will be issued in book-entry only form and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry only form. Purchasers will not receive physical delivery of the Bonds purchased by them.

Payments. The Bonds are dated the date of delivery and are being issued as current interest serial bonds and current interest term bonds as set forth on the inside front cover hereof. The Bonds accrue interest from the dated date at the rates set forth on the inside front cover hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2025. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, San Francisco, California, as paying agent (the "Paying Agent") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

MATURITY SCHEDULE
(See Inside Cover Pages)

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS –Redemption" herein.

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

The Bonds will be awarded and sold pursuant to a competitive sale to be held on November 13, 2024, as set forth in the Official Notice of Sale for the Bonds. The Bonds will be offered when, as and if issued, subject to the approval as to their legality by Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, and subject to certain other conditions. Lozano Smith, LLP, Sacramento, California, is acting as Disclosure Counsel to the District. It is anticipated that the Bonds, in their definitive form, will be available for delivery through the facilities of DTC on or about December 3, 2024.

The date of this Official Statement is __________, 2024.

* *Preliminary; subject to change*

MATURITY SCHEDULE

$40,000,000*
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A
Base CUSIP†: 801716

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
2054				

$__________ __% Term Bond maturing August 1, 20__, yield __%. CUSIP†: __

$__________ __% Term Bond maturing August 1, 20__, yield __%. CUSIP†: __

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* *Preliminary; subject to change.*

† *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© 2024 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter, the District, the Counties, Bond Counsel, Disclosure Counsel, nor the Municipal Advisor are responsible for the selection or correctness of the CUSIP® numbers set forth above.*

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

Involvement of Underwriter. The Bonds will be sold pursuant to a competitive sale held after the date of this Preliminary Official Statement. The winning bidder is expected to provide a statement substantially in the following form, for inclusion in the Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

Rule 15c2-12. For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
SANTA CRUZ COUNTY
STATE OF CALIFORNIA

DISTRICT ADMINISTRATION

Kris Munro, *Superintendent*
Jimmy Monreal, *Assistant Superintendent, Business Services*

MUNICIPAL ADVISOR

Dale Scott & Company Inc.
San Francisco, California

BOND COUNSEL and DISCLOSURE COUNSEL

Lozano Smith, LLP
Sacramento, California

PAYING AGENT

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

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$40,000,000*
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A

INTRODUCTION

This Introduction is not a summary of the Official Statement. It is only a brief description of, and guide to, and is qualified by, more complete and detailed information contained in the remainder of the Official Statement and the documents summarized or described in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, and potential investors should thoroughly review it prior to purchasing the captioned Bonds.

The purpose of this Official Statement, which includes the cover page, the inside cover pages, and all appendices hereto (the "Official Statement"), is to provide certain information concerning the issuance, sale, and delivery of the Santa Cruz City Elementary School District (the "District") (Santa Cruz County, California) General Obligation Bonds, Election of 2022, Series A (the "Bonds").

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

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

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

Copies of documents referred to herein and information concerning the Bonds are available from the District by contacting: Santa Cruz City Schools, 133 Mission Street, Suite 100, Santa Cruz, California 95060; attention: Assistant Superintendent, Business Services. The District may impose a charge for copying, mailing, and handling.

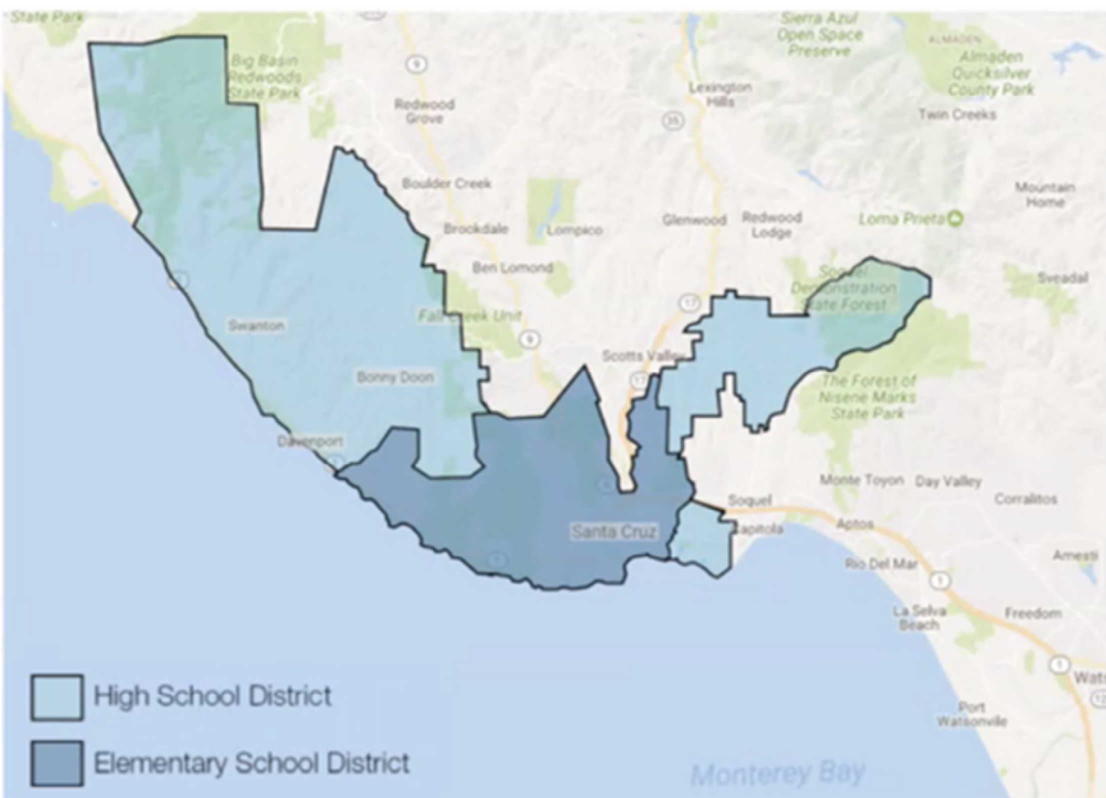
* Preliminary, subject to change.

The District

Santa Cruz City Schools. Santa Cruz City Schools ("Santa Cruz City Schools") is a "Common Administration District" (pursuant to California Education Code section 35110 et seq.) comprised of two separate school districts: the Santa Cruz City Elementary School District (the issuer of the Bonds, referred to herein as the "District" or the "Elementary School District") and the Santa Cruz City High School District (the "High School District"). The Elementary School District and the High School District are governed by a single Board of Education (the "Board of Education") and share most of their operations and administration. The finances of the two districts are combined for most purposes; the Santa Cruz City Schools adopts and revises a single operating budget, and the two districts' financial statements are reported under a single audit report, although certain funds, including bond funds, remain separated. Accordingly, much of the financial information presented herein and in "APPENDIX A – "GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT" and APPENDIX C – "SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023" is presented on a combined basis, reflecting the finances of the Santa Cruz City Schools as a whole, except where otherwise noted.

Importantly, the Elementary School District and the High School District are treated as separate legal entities for the purposes of (a) obtaining bond authorization, issuing bonds, and levying (by the County) of *ad valorem* property taxes for the repayment of bonds; (b) allocation of local property tax revenue; (c) computing State apportionments and allowances, and (d) holding title to property. The Bonds discussed herein, which are being issued by the Elementary School District, are general obligations of the Elementary School District and not the High School District and are payable solely from the levy and collection of *ad valorem* property taxes on property within the boundaries of the Elementary School District.

<u>Santa Cruz City Schools</u>



The Elementary School District. The Elementary School District is located in Santa Cruz County (the "County") which is situated on the northern edge of the Monterey Bay. The Elementary School District's boundaries are nearly coterminous with the boundaries of the City of Santa Cruz, though a small portion of the Elementary School District area includes unincorporated territory outside the City of Santa Cruz. The Elementary School District territory comprises an area of approximately 12 square miles, consisting of approximately 63,000 residents. In contrast, the High School District's boundaries overlap with the Elementary School District, but also encompass a much broader area of approximately 155 square miles in the County, including the City of Santa Cruz as well as the communities of Davenport, Bonny Doon, Live Oak, Soquel, and Capitola.

The Santa Cruz City Schools operates five elementary schools serving grades TK through five; two middle schools serving grades six through eight, three high schools serving grades nine through 12, an independent study program, alternative education programs, and a continuation high school. In addition, the Santa Cruz City Schools has authorized, and provides oversight to, one independent charter school. Of these schools, the five elementary schools represent the Elementary School District's schools, with a current projected Elementary School District student population of approximately 1,762 students.

Board of Education. The Santa Cruz City Schools is governed by the seven-member Board of Education which operates as the common governing board for both the Elementary School District and the High School District. Each member of the Board of Education is elected, by trustee area, to a four-year term. Board of Education member elections are held every two years, alternating between three and four available positions. The management and policies of the Santa Cruz City Schools are administered by the Superintendent of the Santa Cruz City Schools, appointed by the Board of Education, who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. For additional information about the District, see APPENDIX A – "GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT" and APPENDIX C – "SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023."

Continuing Disclosure

The District has covenanted for the benefit of the holders and Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" and APPENDIX E – "Form of Continuing Disclosure Certificate" herein.

Tax Matters

In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; 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. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no other opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Article 4.5 (commencing with Section 53506) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable provisions of law, including Article XIIIA of the California Constitution and applicable provisions of the California Education Code (the "Bond Law").

At an election held on November 8, 2022, the District received authorization under "Measure L" to issue bonds of the District in an aggregate principal amount not to exceed $122,000,000 for the purpose of financing the construction, renovation, modernization, and equipping of the District's school facilities (the "2022 Authorization"). Measure L required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of 71.21%. The Bonds represent the first series of bonds to be issued under the 2022 Authorization, and after the issuance of the Bonds, approximately $82,000,000* in issuance authority will remain under the 2022 Authorization. See "DEBT SERVICE SCHEDULES –Other General Obligation Bonds" herein for a description of all outstanding general obligation bonds of the District.

The Board of Education authorized the issuance and sale of the Bonds by resolution adopted on October 23, 2024 (the "Resolution"). Capitalized undefined terms used in this Official Statement have the meanings ascribed thereto in the Resolution.

Form and Registration

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

Payment of Principal and Interest

The Bonds will be issued as current interest serial and/or term bonds as set forth on the inside front cover pages hereof.

Interest. The Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover pages of this Official Statement, payable on February 1 and August 1 of each year, commencing on February 1, 2025 (each, an "Interest Payment Date"), computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date;

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* *Preliminary, subject to change.*

provided, however, that if, at the time of authentication of any Bond, interest is in default on any outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds.

Payment of Bonds. Principal of the Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the Paying Agent at the maturity thereof or upon redemption prior to maturity.

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

Paying Agent

U.S. Bank Trust Company, National Association, San Francisco, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "Paying Agent"). As long as 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action covered by such notice.

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

Redemption

Optional Redemption of Bonds. The Bonds maturing before August 1, 2035, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 2035, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2034, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of Bonds. The Bonds which are term bonds maturing on August 1, 20__ and August 1, 20__, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedules, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

<u>Term Bonds Maturing August 1, 20__</u>

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

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

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

Notice of Redemption. The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District. Notice of redemption shall be mailed by the Paying Agent to the respective owners of any Bonds designated for redemption at their address appearing on the registration books required to be kept by the Paying Agent, not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption.

Each notice of redemption will contain the following information: (a) the Bonds or designated portions thereof which are to be redeemed and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, and (f) the original issue date, interest rate, and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

Neither the failure of the Owners of any Bonds or by any securities depository or information service to receive notice of redemption, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation or accretion of interest on the date fixed for redemption.

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

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Bonds called for redemption is set aside, 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 look for the payment of such Bonds and the redemption premium thereon, if any, only to monies on deposit for that purpose in the respective subaccount of the interest and sinking fund of the District within the Santa Cruz County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. 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 monies are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given, except with respect to timing requirements. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Transfer and Exchange

If the book-entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange, and transfer of the Bonds. If the book-entry system is discontinued, the person in whose name a Bond is registered on the Bond registration books shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond shall be made only to or upon the order of that person, and neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution.

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

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

Defeasance of Bonds

The District may pay and discharge any or all of the Bonds of a series by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money and/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, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Application and Investment of Bond Proceeds

The net proceeds from the sale of the Bonds will be deposited in the Santa Cruz County treasury (a) to the credit of the building fund of the District (the "Building Fund"), and (b) to the credit of the Interest and Sinking Fund of the District. See "– Estimated Sources and Uses of Funds" herein.

All funds held by the Santa Cruz County Treasurer-Tax Collector (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund shall be invested on behalf of the District by the County Treasurer at the County Treasurer's discretion in such investments pursuant to law and the investment policy of the County, as such policies exist at the time of investment. See "SANTA CRUZ COUNTY INVESTMENT POOL" below.

Estimated Sources and Uses of Funds

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

TABLE No. 1
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
General Obligation Bonds, Election of 2022, Series A
Estimated Sources and Uses of Funds

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

(1) Includes underwriter's discount, bond counsel fees, disclosure counsel fees, rating agency fees, Municipal Advisory fees, paying agent fees, printing fees, and other miscellaneous expenses.

The Project

Pursuant to the 2022 Authorization, the District intends to apply the net proceeds of sale of the Bonds for capital improvements included on the project list submitted to voters for Measure L (the "Project List"). The Board of Education retains the ability to set priorities among the improvements included on the Project List in order to meet the needs of the District and its students.

Each item on the Project List is assumed to include, if applicable, its share of furniture, equipment, architectural, engineering, and similar planning costs and program/project management. Completion of the items on the Project List is subject to the District's priorities and needs and the availability of adequate funding.

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DEBT SERVICE SCHEDULES

Annual debt service on the Bonds, assuming no early optional redemptions, is shown in the following table.

TABLE No. 2
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
General Obligation Bonds, Election of 2022, Series A
<u>Annual Debt Service</u>

Period Ending (August 1)	Principal	Interest	Total Annual Debt Service
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
Totals			

Other General Obligation Bonds

In addition to the Bonds, the District has issued the following series of outstanding general obligation bonds secured by *ad valorem* taxes levied upon all property subject to taxation by the District:

1998 Authorization. At an election held on April 14, 1998, the District received voter authorization to issue up to $28,100,000 in aggregate principal amount of general obligation bonds (the "1998 Authorization").

On July 14, 1998, the District issued its General Obligation Bonds, Election of 1998, Series A, in the aggregate initial principal amount of $7,000,000 (the "1998 Series A Bonds"). On March 29, 2000, the District issued its General Obligation Bonds, Election of 1998, Series B, in the aggregate initial principal amount of $15,500,000 (the "1998 Series B Bonds"). On October 18, 2001, the District issued its General Obligation Bonds, Election of 1998, Series C, in the aggregate initial principal amount of $5,598,115.65 (the "1998 Series C Bonds") as the third and final series of bonds under the 1998 Authorization.

Both the 1998 Series A Bonds and the 1998 Series B Bonds were refunded with proceeds of the 2005 Refunding Bonds (described below), and as a result are no longer outstanding. The 1998 Series C Bonds remain outstanding in the denominational amount of $227,944, with a maturity value of $800,000. The District has no remaining authority to issue bonds under the 1998 Authorization.

2016 Authorization. At an election held on November 8, 2016, the District's voters approved the issuance of up to $68,000,000 aggregate principal amount of general obligation bonds (the "2016 Authorization").

On March 14, 2017, the District issued its General Obligation Bonds, Election of 2016, Series A, as its first series of bonds under the 2016 Authorization, in the aggregate principal amount of $27,200,000 (the "2016 Series A Bonds"). The 2016 Series A Bonds remain outstanding in the principal amount of $19,010,000.

On July 30, 2019, the District issued its General Obligation Bonds, Election of 2016, Series B, as its second series of bonds under the 2016 Authorization, in the aggregate principal amount of $20,400,000 (the "2016 Series B Bonds"). The 2016 Series B Bonds remain outstanding in the principal amount of $18,500,000.

On November 4, 2021, the District issued is General Obligation Bonds, Election of 2016, Series C, as its third and final series of bonds under the 2016 Authorization, in the aggregate principal amount of $20,400,000 (the "2016 Series C Bonds"). The 2016 Series C Bonds remain outstanding in the principal amount of $18,590,000.

No authorization remains under the 2016 Authorization.

Refunding Bonds. On May 18, 2005, the District issued its 2005 General Obligation Refunding Bonds in the principal amount of $22,785,000 (the "2005 Refunding Bonds"), in order to refund the then-outstanding maturities of the first and second series of bonds issued under the 1998 Authorization. A portion of the 2005 Refunding Bonds was refunded with proceeds of the 2013 Refunding Bonds (described below), and the unrefunded 2005 Refunding Bonds have since matured. As a result, the 2005 Refunding Bonds are no longer outstanding.

On May 16, 2013, the District issued its 2013 General Obligation Refunding Bonds in the principal amount of $17,195,000 (the "2013 Refunding Bonds") in order to refund a portion of the 2005 Refunding Bonds. The 2013 Refunding Bonds remain outstanding in the principal amount of $6,440,000.

Aggregate Debt Service

Debt service on all of the District's outstanding general obligation bonds, including the Bonds, assuming no early optional redemptions, is shown in the following table.

TABLE No. 3
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
General Obligation Bonds – Aggregate Debt Service

Period Ending [1] (August 1)	1998 Series C Bonds	2013 Refunding Bonds	2016 Series A Bonds	2016 Series B Bonds	2016 Series C Bonds	The Bonds	Aggregate Total Debt Service
2025	$ 400,000.00	$ 1,411,950.00	$ 1,116,175.00	$ 940,800.00	$ 1,636,000.00		
2026	400,000.00	1,408,750.00	1,145,175.00	965,050.00	1,681,500.00		
2027	--	1,416,250.00	1,181,675.00	992,300.00	1,714,600.00		
2028	--	1,412,400.00	1,215,175.00	1,017,300.00	1,755,600.00		
2029	--	1,402,500.00	1,250,675.00	1,045,050.00	1,804,200.00		
2030	--	--	1,291,025.00	1,070,300.00	1,850,100.00		
2031	--	--	1,344,575.00	1,103,050.00	1,863,300.00		
2032	--	--	1,395,875.00	1,128,850.00	1,904,700.00		
2033	--	--	1,454,925.00	1,157,650.00	1,933,400.00		
2034	--	--	1,510,237.50	1,184,250.00	1,977,600.00		
2035	--	--	1,571,600.00	1,221,300.00	2,020,200.00		
2036	--	--	1,634,875.00	1,261,550.00	1,591,200.00		
2037	--	--	1,698,362.50	1,299,850.00	--		
2038	--	--	1,751,637.50	1,341,200.00	--		
2039	--	--	1,806,412.50	1,385,450.00	--		
2040	--	--	1,863,662.50	1,427,450.00	--		
2041	--	--	1,916,600.00	1,472,200.00	--		
2042	--	--	1,970,800.00	1,519,550.00	--		
2043	--	--	--	1,579,350.00	--		
2044	--	--	--	1,641,150.00	--		
2045	--	--	--	1,709,800.00	--		
2046	--	--	--	--	--		
2047	--	--	--	--	--		
2048	--	--	--	--	--		
2049	--	--	--	--	--		
2050	--	--	--	--	--		
2051	--	--	--	--	--		
2052	--	--	--	--	--		
2053	--	--	--	--	--		
2054	--	--	--	--	--		
Totals	**$800,000.00**	**$7,051,850.00**	**$27,119,462.50**	**$26,463,450.00**	**$21,732,400.00**		

[1] Period ending August 1 includes February 1 and August 1 debt service payments of the same calendar year.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for the District's repayment of principal of and interest on the Bonds when due, the Board of Supervisors of the County of Santa Cruz (the "County") is empowered and obligated to levy and collect *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When so collected by the County, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and used solely for the District's payment of general obligation bonds of the District.

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

Not a County Obligation

No funds of the County are pledged or obligated to repayment of the Bonds. The Bonds are payable solely from the proceeds of *ad valorem* property taxes to be levied and collected by the County within the District pursuant to the California Constitution and other State law, for the payment by the District of principal of and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt (or a pledge of the full faith and credit) of the County.

Pledge of Tax Revenues and Statutory Lien

Under State law, school districts may levy *ad valorem* property taxes to pay principal and interest on general obligation bond debt that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such voter-approved general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal 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.

Pursuant to the Resolution, the District has pledged revenues from the *ad valorem* taxes collected from the levy by the Board of Supervisors to the payment of the Bonds, and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal of or redemption price of and interest on the Bonds (the "Pledge"). This Pledge is valid and binding from the date of adoption of the Resolution for the benefit of the owners of the Bonds and successors thereto. The Pledge provides security for the Bonds in addition to the statutory lien described below. The Bonds, secured by the Pledge, are being issued to provide funds for the projects authorized by the voters under Measure L and the 2022 Authorization. The amounts held in the Interest and Sinking Fund of the District are immediately subject to this Pledge, and the Pledge constitutes a lien and security interest, pursuant to Section 5451 of the California Government Code, which immediately attaches to the property taxes and amounts held in the Interest and Sinking Fund of the District to secure the payment of the Bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the Pledge and without the need of any physical delivery, recordation, filing, or further act.

Pursuant to Section 53515 of the California Government Code, 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 District's payment thereof. Such lien automatically attaches, without further actions or authorization by the District's Board, and is valid and binding from the time the Bonds are 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 successors, 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.

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

Property Taxation System

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

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

Assessed Valuation of Property within the District

Taxable property located in the District has a 2024-25 total assessed value of $14,067,195,517. All property (real, personal and intangible) is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include property owned by State and local agencies, household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used exclusively for religious, hospital, educational, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described under the heading, "– *State-Assessed Property*" below.

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

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

Assembly Bill 102. In 2017, the Legislature passed Assembly Bill 102 ("AB 102"). AB 102 restructured the State Board of Equalization and shifted certain of its duties to two new agencies: the California Department of Tax and Fee Administration ("CDTFA"), and the Office of Tax Appeals. The CDTFA took over certain programs previously handled by the State Board of Equalization, including the Tax Area Services Section, which is responsible for maintaining tax-rate area maps and special district boundary maps. The Office of Tax Appeals took over certain types of appeals on tax and fee matters, such as sales and use tax and other special taxes and fees; however, appeals related to programs under the State Board of Equalization's authority pursuant to the State Constitution will remain with the State Board of Equalization. Pursuant to the State Constitution, and unaffected by AB 102, the State Board of Equalization remains responsible for the review, equalization, or adjustment of property tax assessment, and the measurement of county assessment levels and adjustment of secured local assessment rolls.

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

Under California law, a city or county could, and did, prior to recent California legislation dissolving redevelopment agencies, create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area. The application of such revenues diverted by redevelopment agencies is now substantially limited to meeting existing debt service of the redevelopment agencies.

Shown in the following table is the assessed valuation of property in the District in fiscal years 2006-07 through 2024-25.

TABLE No. 4
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
Assessed Valuations
Fiscal Years 2006-07 through 2024-25

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual Change
2006-07	$6,291,962,481	$1,009,331	$205,498,518	$6,498,470,330	--
2007-08	6,748,080,726	546,598	208,185,498	6,956,812,822	7.05%
2008-09	7,046,266,398	546,598	206,441,381	7,253,254,377	4.26
2009-10	7,002,407,808	670,131	225,539,859	7,228,617,798	(0.34)
2010-11	7,075,571,705	1,920,326	202,826,107	7,280,318,138	0.72
2011-12	7,125,856,864	1,920,326	189,486,830	7,317,264,020	0.51
2012-13	7,123,208,861	306,212	187,141,574	7,310,656,647	(0.09)
2013-14	7,402,662,669	0	187,548,020	7,590,210,689	3.82
2014-15	7,890,251,254	0	207,249,245	8,097,500,499	6.68
2015-16	8,389,777,011	0	246,400,188	8,636,177,199	6.65
2016-17	8,829,490,661	0	238,817,291	9,068,307,952	5.00
2017-18	9,372,354,951	0	246,539,441	9,618,894,392	6.07
2018-19	9,986,575,410	0	257,923,573	10,244,498,983	6.50
2019-20	10,585,656,312	0	280,465,784	10,866,122,096	6.07
2020-21	11,104,250,760	0	281,402,313	11,385,653,073	4.78
2021-22	11,588,706,643	0	265,786,357	11,854,493,000	4.12
2022-23	12,364,964,364	0	288,787,245	12,653,751,609	6.74
2023-24	13,029,455,639	0	342,151,706	13,371,607,345	5.67
2024-25	13,670,429,169	0	396,766,348	14,067,195,517	5.20

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc. It is not possible for the District to make any representation regarding the extent to which such conditions could impact the ability or willingness of property owners within the District to pay property taxes in the future. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "−*Adjustments of Assessed Valuation*" below.

Property Tax Transfers Ballot Measure. A State constitutional amendment was approved by the State's voters at the November 3, 2020 election, as "Proposition 19." Proposition 19 amends the State Constitution to permit eligible homeowners to transfer tax assessments anywhere in the State, to narrow existing special rules for inherited properties, and to broaden the scope of triggers for reassessment of properties. (See APPENDIX A – "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "– Proposition 19.") The District cannot predict the impact Proposition 19 might have on aggregate assessed value of taxable property in the District.

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

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

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measurement is computed on a calendar year basis.

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

See APPENDIX A – "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

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Assessed Valuation by Jurisdiction. The following table shows the District's fiscal year 2024-25 assessed valuation of property by amount and percentage within the political jurisdictions in the County.

TABLE No. 5
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
Fiscal Year 2024-25 Assessed Valuations by Jurisdiction

Jurisdiction[1]	Assessed Valuation in Elementary School District	% of Elementary School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in Elementary School District
City of Santa Cruz	$13,424,285,604	95.43%	$13,468,834,413	99.67%
Unincorporated Santa Cruz County	642,909,913	4.57	$34,934,633,944	1.84%
Total Elementary School District	**$14,067,195,517**	**100.00%**		
Total Santa Cruz County	$14,067,195,517	100.00%	$61,100,607,672	23.02%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District for the fiscal year 2024-25 tax roll by principal purpose for which the land is used, as measured by assessed valuation and number of parcels.

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TABLE No. 6
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
2024-25 Assessed Valuation and Parcels by Land Use

Non-Residential	**2024-25 Assessed Valuation [1]**	**% of Total**	**No. of Parcels**	**% of Total**
Agricultural/Rural	$ 91,003,420	0.67%	151	0.81%
Commercial/Office	1,151,347,688	8.42	866	4.62
Vacant Commercial	215,594,012	1.58	157	0.84
Industrial	308,180,335	2.25	136	0.73
Vacant Industrial	20,406,970	0.15	32	0.17
Recreational	94,217,328	0.69	33	0.18
Government/Social/Institutional	62,317,595	0.46	187	1.00
Miscellaneous	1,717,908	0.01	140	0.75
Subtotal Non-Residential	$1,944,785,256	14.23%	1,702	9.09%
Residential				
Single Family Residence	$ 8,323,347,230	60.89%	11,974	63.93%
Condominium/Townhouse	1,263,434,559	9.24	2,301	12.29
Mobile Home	12,288,231	0.09	198	1.06
Mobile Home Park	25,657,946	0.19	33	0.18
Hotel/Motel	329,593,138	2.41	67	0.36
2-4 Residential Units/Apartments	890,256,180	6.51	1,176	6.28
5+ Residential Units/Apartments	812,904,337	5.95	277	1.48
Vacant Residential	68,162,290	0.50	1,001	5.34
Subtotal Residential	$11,725,643,911	85.77%	17,027	90.91%
Total	**$13,670,429,167**	**100.00%**	**18,729**	**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 shows the distribution of assessed valuation of single-family homes in the District among various categories of value for fiscal year 2024-25, including mean and median value per parcel.

TABLE No. 7
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
Per Parcel 2024-25 Assessed Valuation of Single Family Homes

	No. of Parcels	2024-25 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,974	$8,323,347,230	$695,118	$587,809

2024-25 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	1,107	9.245%	9.245%	$ 70,836,447	0.851%	0.851%
$100,000 - $199,999	1,155	9.646	18.891	171,406,093	2.059	2.910
$200,000 - $299,999	1,024	8.552	27.443	258,258,853	3.103	6.013
$300,000 - $399,999	1,079	9.011	36.454	379,112,227	4.555	10.568
$400,000 - $499,999	950	7.934	44.388	425,087,921	5.107	15.675
$500,000 - $599,999	758	6.330	50.718	416,170,143	5.000	20.675
$600,000 - $699,999	788	6.581	57.299	512,034,760	6.152	26.827
$700,000 - $799,999	785	6.556	63.855	590,630,752	7.096	33.923
$800,000 - $899,999	812	6.781	70.636	689,450,372	8.283	42.206
$900,000 - $999,999	776	6.481	77.117	735,996,782	8.843	51.049
$1,000,000 - $1,099,999	560	4.677	81.794	585,359,673	7.033	58.082
$1,100,000 - $1,199,999	432	3.608	85.402	495,488,690	5.953	64.035
$1,200,000 - $1,299,999	345	2.881	88.283	430,257,486	5.169	69.204
$1,300,000 - $1,399,999	301	2.514	90.797	405,875,272	4.876	74.080
$1,400,000 - $1,499,999	203	1.695	92.492	294,204,719	3.535	77.615
$1,500,000 - $1,599,999	165	1.378	93.870	255,178,434	3.066	80.681
$1,600,000 - $1,699,999	141	1.178	95.048	232,680,276	2.796	83.476
$1,700,000 - $1,799,999	90	0.752	95.799	157,640,424	1.894	85.370
$1,800,000 - $1,899,999	109	0.910	96.710	200,877,328	2.413	87.784
$1,900,000 - $1,999,999	57	0.476	97.186	111,044,029	1.334	89.118
$2,000,000 and greater	337	2.814	100.000	905,756,549	10.882	100.000
	11,974	100.000%		$8,323,347,230	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 in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2024-25 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

TABLE No. 8
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
Largest 2024-25 Local Secured Taxpayers

	Property Owner	Primary Land Use	2024-25 Assessed Valuation	% of Total [1]
1.	Regency Hilltop LLC	Apartments	$122,507,100	0.90%
2.	Santa Cruz Seaside Co.	Beach Concessions	108,395,477	0.79
3.	Anton Santa Cruz LLC	Apartments	69,909,901	0.51
4.	Cypress Point RE Investors LLC	Apartments	52,989,469	0.39
5.	Five55 Santa Cruz LLC	Apartments	52,530,000	0.38
6.	Selby Development Group LLC	Apartments	46,292,104	0.34
7.	Santa Cruz Shaffer Road Investors	Apartments	42,464,401	0.31
8.	BHOV Santa Cruz LLC	Hotel	41,286,745	0.30
9.	BRFII Santa Cruz LLC	Shopping Center	37,142,280	0.27
10.	Santa Cruz Hotel LP	Hotel	34,055,551	0.25
11.	Paradise Park Masonic Club Inc.	Recreational	33,006,580	0.24
12.	SC Beach Holdco LLC	Hotel	32,697,955	0.24
13.	Roaring Park Pacific LLC	Commercial	32,541,825	0.24
14.	1010 Pacific Investors	Commercial	28,991,311	0.21
15.	Essex Chestnut Apartments LP	Apartments	27,838,389	0.20
16.	80 Front Street LLC	Assisted Living Facility	27,323,999	0.20
17.	Cooper House LLC	Commercial	26,736,468	0.20
18.	University Business Park LLC	Industrial	26,563,875	0.19
19.	Central Properties LLC	Agricultural	25,974,096	0.19
20.	The Price Company	Commercial	25,109,422	0.18
			$894,356,948	6.54%

[1] 2024-25 local secured assessed valuation: $13,670,429,167

Source: California Municipal Statistics, Inc.

Risk of Impact to Assessed Value Due to Disaster

As described above, and in particular as shown in Table No. 4, assessed valuation of property in the District is subject to change in each year. Natural and manmade disasters can affect assessed value both through the destruction of taxable property, and through a resulting depression of the real estate market should a disaster impact economic conditions in the County, the region, and/or the State. The District cannot predict or make any representations regarding the effects that disasters or other conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Wildfires. According to the State, fire season is starting earlier and ending later each year, with the increased length of the season corresponding to an increase in the extent of forest fires across the State. Although the District's territory, which nearly matches that of the City of Santa Cruz, is not considered particularly high fire risk, areas surrounding the District include areas deemed moderate and high Fire Hazard Severity Zones by the California

Department of Forestry and Fire Protection ("CalFire"), in particular those areas to the north of the City of Santa Cruz. Recent wildfires in the County include the "CZU Lightning Complex Fires," a large complex of fires started by lightning which burned approximately 85,000 acres in the County and in neighboring San Mateo County which, from August to November of 2020. No District property was damaged in the CZU Lightning Complex Fires.

The District cannot predict the occurrence or severity of any potential future wildfires within its territory, or make any representations regarding the effects that wildfires and related conditions have or may have on the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Storm Surge and Flood Risk. According to the City of Santa Cruz (the "City") (the boundaries of which are entirely within the District), there are several areas subject to flooding within the City. The San Lorenzo River runs through the downtown corridor and the majority of the downtown area is in the San Lorenzo floodplain. The San Lorenzo River also runs along the edge of the Harvey West Commercial–Industrial area including the new Tannery Arts Center and its associated housing.

Flooding along the coast of Santa Cruz may occur with the simultaneous occurrence of large waves and storm swells during the winter. Storm centers from the southwest produce the type of storm pattern most commonly responsible for the majority of serious coastline flooding. The strong winds combined with high tides that create storm surges are also accompanied by heavy rains. When storms occur simultaneously with high tides, flood conditions including flooding at the mouth of the San Lorenzo River are exacerbated.

In December of 2023, unusually severe storm surges sent seawater more than five feet higher than where king tide levels were predicted. Waves taller than 20 feet broke at some beaches in the County. The storm surges and related flooding caused at least $2.8 million in property damage along the Santa Cruz coastline (including nearby areas such as Capitola which is not within the boundaries of the District).

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

Drought. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation, which resulted in related severe flooding and mudslides in certain regions. Although the economy of the area of the District is not primarily agricultural-based, the health of the significant forest resources in the area can be directly impacted by drought conditions. Among other adverse impacts, decreased forest health also increases wildfire risk.

According to the Santa Cruz County Drought Response and Outreach Plan, the County, like many other areas of the State, faces water resource challenges including impaired water quality, overdrafted groundwater basins, depleted streams, and degraded riparian habitat. Domestic water supply in the County comes from 78% groundwater, 19% surface water, and 3% recycled water. The City (serving ~100,000 residents) is 95% reliant on surface water, including the one reservoir in the County, Loch Lomond. The other large water agencies in the County rely on either a combination of groundwater and surface water, or entirely groundwater. A future drought could have adverse impacts on assessed values in the District and economic conditions in the area.

Climate Change. In addition to the events described above, climate change may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heatwaves, and rising sea levels. 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 future conditions may vary significantly. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to predict whether or when any potential adverse impacts of climate change will occur or the extent of such impacts.

Public Health Emergencies. The recent COVID 19 outbreak across the globe, showed that outbreak of disease can have significant and lasting impacts on economic conditions, at local, national, and global levels. Future COVID-19 or similar outbreaks, or other public health emergencies, could have material adverse effects on the District's operations and finances. The District cannot predict whether future pandemics will occur and whether any such pandemics may impact its finances or operations.

Bonding Capacity

As a non-unified school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2024-25 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $175,839,944, and its net bonding capacity is approximately $113,072,000 (taking into account current outstanding bond debt before issuance of the Bonds, and the 2024-25 assessed valuation of taxable property within the District of $14,067,195,517).

Tax Rates

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

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

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates in a typical Tax Rate Area in the District (TRA 1-032) over the five-year period from 2020-21 through 2024-25. The 2024-25 assessed valuation of the property within TRA 1-032 is approximately 68.82% of the total assessed value of the District.

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TABLE No. 9
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
Typical Total Tax Rates as Dollars per $100 Assessed Valuation (TRA 1-032) [(1)]
Fiscal Years 2020-21 through 2024-25

	2020-21	2021-22	2022-23	2023-24	2024-25
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
City of Santa Cruz	0.004521	0.004394	0.004187	0.004018	0.003806
Cabrillo Community College District	0.024746	0.023703	0.024048	0.024343	0.015332
Santa Cruz City High School District	0.037995	0.037056	0.037674	0.031551	0.035344
Santa Cruz City Elementary School District	**0.037545**	**0.037303**	**0.038891**	**0.036005**	**0.033638**
Total All Property Tax Rate	$1.104807	$1.102456	$1.104800	$1.095917	$1.088120

(1) 2024-25 assessed valuation of TRA 01-032 is $9,681,376,407.
Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Bonds to be approved by at least 55% popular vote, bonds may not be issued pursuant to the 2022 Authorization unless the District projects that repayment of all outstanding bonds approved at such election will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Bonds, the District projects that the maximum tax rate required to repay the Bonds (which, as of their issuance, will be the only outstanding bonds approved under the 2022 Authorization), will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Bonds in each year.

Tax Charges and Delinquencies

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

County treasurers prepare the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $20 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurers.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty and fees attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. 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 clerk of the local court specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression can be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping or outbreak of disease. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future, or the or the ability or willingness of the County to maintain the Teeter Plan (defined below) as now in effect. If delinquencies increase substantially, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

Teeter Plan. The Board of Supervisors of the County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as depository and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While the County benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk, which in turn makes it more certain that sufficient funds will be available for the District's repayment of the Bonds.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. Once the Teeter Plan is implemented, and after an initial distribution of prior years' outstanding delinquencies among local agencies, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

The Teeter Plan applies to the 1% general purpose tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of local agencies, varies by county. The County includes the District's general obligation bond levy under the Teeter Plan. Therefore, District's receipt of property taxes within Santa Cruz County with respect to the District's general obligation bonds, including the Bonds, are not subject to delinquencies. If the Teeter Plan for the County was terminated, the amount of the levy of *ad valorem* secured property taxes in the District would depend upon the actual collections of the taxes and delinquency rates experienced with respect to the parcels within the District. The Teeter Plan, as implemented by the County, does not apply to the supplemental secured property tax roll.

There can be no assurance that the County will always maintain the Teeter Plan, or that the County will have sufficient funds available to distribute the full amount of the District's share of property tax collections in the County to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. Notwithstanding any possible future change to or discontinuation of the Teeter Plan in the County, however, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

The property tax collection procedures described above are subject to amendment based on legislation or executive order, which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict changes in law or orders of State officials that might occur in the future.

Delinquency Rates. Secured tax levy collections and delinquencies for the District's general obligation bond debt service since fiscal year 2015-16 are summarized in the following table. 2024-25 data are not yet available. Because the County includes the District's general obligation bond levy under the Teeter Plan, the District's receipt of property taxes with respect to the District's general obligation bonds, including the Bonds, are not subject to delinquencies. For information about the County's current distribution of property taxes, see above under the heading "– Teeter Plan."

TABLE No. 10
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
Secured Tax Charges and Delinquencies – Levy for District's Bonded Indebtedness
Fiscal Years 2015-16 through 2023-24

	Secured Tax Charge (1)	Amount Delinquent June 30 (2)	% Delinquent June 30
2015-16	$1,678,763.48	26,685.11	1.59%
2016-17	1,728,201.80	29,341.87	1.70
2017-18	4,255,394.20	48,405.84	1.14
2018-19	4,391,131.13	53,959.43	1.23
2019-20	4,081,583.11	58,794.69	1.44
2020-21	4,202,225.15	57,643.85	1.37
2021-22	4,353,916.80	54,991.33	1.26
2022-23	4,874,304.22	71,474.78	1.47
2023-24	4,779,318.72	79,609.10	1.67

(1) Elementary School District's general obligation bond debt service levy only. Does not include the 1% general apportionment.
(2) Santa Cruz County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest. See "*Teeter Plan*" above.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc., showing debt as of October 1, 2024. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

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TABLE No. 11
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
Statement of Direct and Overlapping Bonded Debt as of October 1, 2021

2024-25 Assessed Valuation: $14,067,195,517

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/24
Cabrillo Joint Community College District	22.830%	$ 19,402,222
Santa Cruz City High School District	48.901	63,255,618 [1]
Santa Cruz City Elementary School District	**100.000**	**62,767,944** [1]
City of Santa Cruz	99.669	2,661,162
Santa Cruz Libraries Facilities Financing Authorities Community Facilities District 2016-1	25.466	8,848,162
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$156,935,108
OVERLAPPING GENERAL FUND DEBT:		
Santa Cruz County Certificates of Participation	23.023%	$38,063,544
Santa Cruz County Pension Obligation Bonds	23.023	24,936,211
Santa Cruz Office of Education Certificates of Participation	23.023	1,522,290
Santa Cruz City High School District Certificates of Participation and Municipal Lease	48.901	324,873
Santa Cruz City Schools General Fund Obligations	48.901	215,164
City of Santa Cruz General Fund Obligations	99.669	12,346,454
TOTAL OVERLAPPING GENERAL FUND DEBT		$77,408,536
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$1,960,000
COMBINED TOTAL DEBT:		$236,303,644 [2]

[1] Excludes the Bonds to be sold as described in this Official Statement.
[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2024-25 Assessed Valuation:
Direct Debt ($62,767,944) 0.45%
Total Direct and Overlapping Tax and Assessment Debt 1.12%
Combined Total Debt 1.68%

Ratios to Redevelopment Incremental Valuation ($2,800,924,835):
Total Overlapping Tax Increment Debt 0.07%

Source: California Municipal Statistics, Inc.

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SANTA CRUZ COUNTY INVESTMENT POOL

The following information concerning the Santa Cruz County Investment Pool (the "Investment Pool" or "Pool") has been obtained from the County Treasurer and has not been confirmed or verified by the District, the Municipal Advisor, or the Underwriter. 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.

The Santa Cruz County Board of Supervisors adopted its 2024 Investment Policy (the "Investment Policy") on December 15, 2023 (See APPENDIX G – "SANTA CRUZ COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT"). The Investment Policy applies to all financial assets deposited and retained in the Investment Pool. The County's cash management system is designed to secure and protect the public funds in the Pool by establishing proper safeguards, controls, and procedures to maintain those funds in a lawful, rational, and auspicious manner. The main investing objectives, in order of priority are safety, liquidity, availability, and yield.

Oversight of the investments is conducted in several ways. The County Treasurer annually provides a copy of the Investment Policy, and quarterly provides an investment report detailing the investments in the Pool, to the County Board of Supervisors and the County Treasury Oversight Commission. The County's Treasury Oversight Commission annually reviews and monitors the Investment Policy, monitors the activities of the County Treasurer, and causes an annual audit to be performed to determine the County Treasurer's compliance with the Investment Policy. All audit reports, and the quarterly Treasurer's Investment Reports are available at the office of the Santa Cruz County Auditor-Controller-Treasurer-Tax Collector.

The District's funds held by the Santa Cruz County Treasurer are invested in the Investment Pool. The County's most recently available quarterly investment report, which is included in APPENDIX G attached to this Official Statement, details the Investment Pool's current valuation, investment and maturity distribution, and earnings, as of the quarter ended September 30, 2024.

See APPENDIX G– "SANTA CRUZ COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT").

Neither the District, the Municipal Advisor, nor the Underwriter have made an independent investigation of the investments in the Pool nor have they made any assessment of the current Investment Policy. The value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the Santa Cruz County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.

TAX MATTERS

Federal and California Tax Status. In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however, to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; 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. Bond Counsel is of the further opinion that interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

The proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, future legislative proposals could limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarifications of the Tax Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

CONTINUING DISCLOSURE

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system or such other electronic system designated by the MSRB (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than the March 31 following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2023-24 fiscal year (which is due no later than March 31, 2025) and notice of the occurrence of certain enumerated events ("Listed Events") within ten (10) business days after the occurrence of such a Listed Event. The specific nature of the information to be contained in the Annual Report and the notices of Listed Events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC").

In the five years preceding the date of this Official Statement, the District timely filed all of its required Annual Reports and notices of Listed Events, in all material respects, required under its previous continuing disclosure undertakings pursuant to the Rule, with the following exception: The District timely filed its final audit report for fiscal year 2021-22 and adopted and revised budgets for fiscal year 2022-23 as required by the undertakings in connection with the District's outstanding general obligation bonds; however, such filings were not timely linked to the Certificates of Participation (2010 Qualified School Construction Bonds) issued by the Santa Cruz City Schools. Corrective filings have subsequently been posted through the EMMA system.

The District has developed appropriate written policies and procedures and established periodic training regarding continuing disclosure obligations pursuant to the Rule. Dale Scott & Company Inc. has been retained as dissemination agent in connection with all continuing disclosure undertakings, including with respect to the Bonds and the District's outstanding debt issuances.

OTHER LEGAL MATTERS

Legal Opinions

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Lozano Smith, LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Bonds at the time of issuance substantially in the form set forth in APPENDIX D hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Lozano Smith, LLP, as counsel to the District and as Disclosure Counsel to the District.

Legality for Investment in California

Under the 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 bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Bonds are eligible securities for deposit of public monies in the State.

Possible Limitations on Remedies

State law contains a number of safeguards to protect the financial solvency of school districts. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition for relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the district for the adjustment of its debts. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, then the application of *ad valorem* taxes to pay the Bonds could be stayed during the proceeding (unless they are determined to be "special revenues" within the meaning of the Bankruptcy Code and not derived from District projects), and it is possible that the terms of the Bonds and the Resolution (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the Bankruptcy Code. Bankruptcy courts are courts of equity with broad discretionary powers, and their decisions can be heavily influenced by the facts in a case, including whether commingled *ad valorem* tax revenues can be identified, and the overall goal of the Bankruptcy Code to facilitate an adjustment of debts. A bankruptcy proceeding, if initiated on behalf of the District, could have an adverse effect on the liquidity and value of the Bonds. See also, "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS –Pledge of Tax Revenues and Statutory Lien," herein.

The County, on behalf of the District, is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County investment portfolio, as described in "SANTA CRUZ COUNTY INVESTMENT POOL" herein and APPENDIX G – "SANTA CRUZ COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Absence of Material Litigation

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

The Santa Cruz City Schools is occasionally subject to lawsuits and claims which arise in the course of its operations. The Santa Cruz City Schools maintains insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents and claims. Assembly Bill 218, effective January 1, 2020, extended the statute of limitations for certain tort-based lawsuits. The Santa Cruz City Schools is aware of two cases against it based on alleged events dating from the 1980s. The Santa Cruz City Schools has settled one claim and is in early stages of litigation regarding the second claim. At this time the District cannot predict the outcome of pending legal proceedings, whether there will be any resulting liability, the extent of any potential damages, or whether damages and liability, if any, may be covered by current or former insurance policies of the Santa Cruz City Schools. The District expects that the aggregate amount of the uninsured liabilities of the Santa Cruz City Schools under these lawsuits is unlikely to materially affect the financial position or operations of the Santa Cruz City Schools and, in any event, will not affect the repayment of the Bonds. The Bonds are payable solely from the proceeds of ad valorem property taxes levied on all taxable property in the District, and are not a debt or a pledge of the Santa Cruz City Schools' general fund.

The District cannot predict what types of claims may arise in the future, including claims that may be made available by future legislation.

Professionals Involved in the Offering

Lozano Smith, LLP is acting as Bond Counsel, Disclosure Counsel and District Counsel with respect to the Bonds, and will receive compensation contingent upon the sale and delivery of the Bonds.

Dale Scott & Company Inc. (the "Municipal Advisor") has been employed by the District to perform financial services in relation to the sale and delivery of the Bonds. The Municipal Advisor will not participate in the underwriting of the Bonds. The Municipal Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Fees charged by the Municipal Advisor are contingent upon the sale of the Bonds.

Pursuant to the Resolution, the District has appointed U.S. Bank Trust Company, National Association, San Francisco, California, a national banking association organized under the laws of the United States, to serve as Paying Agent. The Paying Agent is to carry out those duties assignable to it under the Resolution and other documents related to the Bonds. Except for the contents of this section, the Paying Agent has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Bond Resolution or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Additional information about the Paying Agent may be found at its website at www.usbank.com. Neither the information on the Paying Agent's website, nor any links to or from that website, is incorporated as a part of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Bonds.

RATING

Moody's Investors Service ("Moody's") has assigned a rating of "Aa1" (stable outlook) to the Bonds. Such rating, which appears on the front cover of this Official Statement, reflect only the views of Moody's, and an explanation of the significance of such rating may be obtained only from Moody's. Such rating is not a recommendation to buy, sell, or hold any of the Bonds. There is no assurance that such rating will continue for any given period of time or will not be revised downward or withdrawn entirely by Moody's if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

UNDERWRITING; COMPETITIVE SALE

The Bonds were sold pursuant to a competitive sale held on November 13, 2024, pursuant to the terms set forth in an Official Notice of Sale for the Bonds (the "Official Notice of Sale"). The Bonds were awarded to ___________ (the "Underwriter"), whose proposal represented the lowest true interest cost for the Bonds, as determined in accordance with the Official Notice of Sale.

The Underwriter has agreed to purchase the Bonds at an aggregate price of $_________ (being equal to the aggregate principal amount of the Bonds ($________), plus [net] original issue premium for the Bonds of $__________, less an underwriter's discount of $____________). The Underwriter will be obligated to purchase all of the Bonds, if any. The Bonds are being purchased for reoffering to the public by the Underwriter, at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District and the Resolution may be obtained by contacting: Santa Cruz City Schools, 133 Mission Street, Suite 100, Santa Cruz, CA 95060, Attention: Superintendent. The District may impose a fee for copying, shipping and handling.

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

Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

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

SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT

By: ____________________________________

Kris Munro, Superintendent

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APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this Appendix concerning the finances and operations of the Santa Cruz City Schools (the "Santa Cruz City Schools") which consists of the Santa Cruz City Elementary School District (the "District" or the "Elementary School District") and the Santa Cruz City High School District (the "High School District"), and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem property tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and the ad valorem tax pledged by the District to repayment of the Bonds is required to be levied and collected by the County of Santa Cruz (the "County") on property within the District in an amount sufficient for the District's timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District (also referred to herein as the "Elementary School District") and the High School District together form the Santa Cruz City Schools, a "Common Administration District" formed under the provisions of California Education Code section 35110 et seq. The Elementary School District and the High School District are governed by a single Board of Education (the "Board of Education") and share most of their operations and administration. The finances of the two districts are combined for most purposes; the Santa Cruz City Schools adopts and revises a single operating budget, and the districts' financing statements are reported under a single audit report, although certain funds, including bond funds, remain separated. Accordingly, much of the financial information presented below in this APPENDIX A and in APPENDIX C – "SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023" is presented on a combined basis, reflecting the finances of the Santa Cruz City Schools as a whole, except where otherwise noted.

Importantly, the Elementary School District and the High School District are treated as separate legal entities for the purposes of (a) obtaining bond authorization, issuing bonds, and levying (by the County) of *ad valorem* property taxes for the repayment of bonds; (b) allocation of local property tax revenue; (c) computing State apportionments and allowances, (d) holding separate title to property; and (e) liability for indebtedness of each separate district. The Bonds discussed herein, which are being issued by the Elementary School District, are general obligations of the Elementary School District and not the High School District and are payable solely from the levy and collection of *ad valorem* property taxes on property within the boundaries of the Elementary School District.

The Elementary School District is located in Santa Cruz County (the "County") which is situated on the northern edge of the Monterey Bay. The Elementary School District's boundaries are nearly coterminous with the boundaries of the City of Santa Cruz, though a small portion of the Elementary School District area includes unincorporated territory outside the City of Santa Cruz. The Elementary School District territory comprises an area of approximately 12 square miles, consisting of approximately 63,000 residents. In contrast, the High School District's boundaries overlap with the Elementary School District, but also encompass a much broader area of approximately 155 square miles in the County, including the City of Santa Cruz as well as the communities of Davenport, Bonny Doon, Live Oak, Soquel, and Capitola.

The Santa Cruz City Schools operates five elementary schools serving grades TK through five; two middle schools serving grades six through eight, three high schools serving grades nine through 12, an independent study program, alternative education programs, and a continuation high school. In addition, the Santa Cruz City Schools has authorized, and provides oversight to, one independent charter school. Of these schools, the five elementary schools represent the

Elementary School District's schools, with a current projected Elementary School District student population of approximately 1,762 students.

Governing Board

The District (together with the High School District) is governed by a seven-member Board of Education (the "Board of Education"), each member of which is elected, by trustee area, to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board of Education who is responsible for day-to-day District operations as well as the supervision of the Santa Cruz City Schools' other key personnel. Current voting members of the Board of Education, together with their office and the date their term expires, are listed below.

SANTA CRUZ CITY SCHOOLS
(Santa Cruz County, California)
Board of Education

Name	Office	Trustee Area	Term Expires
Claudia Vestal	President	Area 6	December, 2024
Kevin Grossman	Vice President	Area 1	December, 2026
Kyle Kelley	Member	Area 2	December, 2026
Sheila Coonerty	Member	Area 3	December, 2024
John Owen	Member	Area 4	December, 2026
Angela Meeker	Member	Area 5	December, 2026
Patricia Threet	Member	Area 7	December, 2024

Superintendent and Administrative Personnel

The Superintendent of the Santa Cruz City Schools is responsible for management of the day-to-day operations of the District and supervises the work of other District administrators. The Assistant Superintendent, Business Services, of the Santa Cruz City Schools is responsible for the administration, financial, and operations management of the District, and reports to the Superintendent. Information concerning these key administrative personnel is set forth below.

Kris Munro, Superintendent. Superintendent Munro has been with the Santa Cruz City Schools for more than 20 years, and has served as Superintendent since 2014. Ms. Munro previously served as Assistant Superintendent and, prior to that, served as principal at two different school sites. Ms. Munro has spent her entire career in education, after earning her master's degree in education administration from San José State University.

Jim Monreal, Assistant Superintendent, Business Services. Mr. Monreal earned his degree in finance from Santa Clara University, and has worked as a Chief Business Official or Assistant Superintendent, Business Services since 2007 in districts located in Madera, Fresno, Merced and Santa Cruz counties. Mr. Monreal returned to Santa Cruz City Schools in 2019 after working as a Fiscal Analyst with the Merced County Office of Education.

DISTRICT FINANCIAL AND OPERATIONAL INFORMATION

The following selected financial information provides a brief overview of the Santa Cruz City School's finances and operations, as well as information concerning the State's funding of education in general. This financial information has been extracted from the Santa Cruz City School's Audit Reports and, in some cases, from unaudited information provided by the Santa Cruz City School's Business office. See also, APPENDIX C – "SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023."

State Funding of Education

The following information concerning the State's funding of education has been compiled from publicly available information provided by the State. Neither the District, the Municipal Advisor, nor the Underwriter is responsible for the information provided in this section. Further information is available from various State sources including the California Department of Education. For further discussion regarding school funding provisions in the most recent State budgets, see "STATE BUDGETS" in this APPENDIX A.

Revenue Limit Funding. Prior to fiscal year 2013-14, school districts operated under general purpose revenue limits established by the California Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts are funded based on uniform funding grants assigned to certain grade spans.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("A.B. 97"), enacted as part of the 2013-14 State budget, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of A.B. 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("S.B. 91").

The primary component of A.B. 97, as amended by S.B. 91, was the implementation of the Local Control Funding Formula ("LCFF"). Beginning in fiscal year 2013-14, the bulk of funding for school districts is being provided on the basis of target base funding grants per unit of ADA (each, a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments, as further described herein. According to a report published by the State Legislative Analyst's Office, the State general fund cost of fully implementing the LCFF in fiscal year 2013-14 would have been approximately $18 billion more than what was spent on education in the prior fiscal year (assuming current levels of property tax revenue, ADA and enrollment). Given this cost, the LCFF was implemented over a span of six fiscal years, during which time school districts received annual funding increases based on the gap between their respective prior-year funding level and the target LCFF allocation following full implementation. In each year, each school district saw the same proportion of their funding gap closed, with dollar amounts varying depending on the size of a district's funding gap. The State's cost to fund the LCFF in each fiscal year fluctuates depending on a number of factors, including the provision of COLAs, fluctuations in ADA and student demographics, and growth in property tax revenues.

The specific Base Grants, beginning in fiscal year ended 2013-14, per unit of ADA, for each grade span were as follows: (a) $6,845 for grades K-3; (b) $6,947 for grades 4-6; (c) $7,154 for grades 7-8; and (d) $8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. The provision of the COLAs is currently subject to appropriation for such adjustment in the annual State budget. 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. As of fiscal year 2018-19, school districts and charter schools are fully-funded under LCFF.

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 support college and career readiness programs in high schools. Following full implementation of the LCFF system in 2018-19, and 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.

The adjusted Base Grants per unit of ADA for fiscal year 2024-25, accounting for the K-3 and 9-12 grade span adjustments, and accounting for the 2024-25 funded COLA (1.07%), are as follows: (a) $11,068 per ADA for TK/kindergarten through grade 3; (b) $10,177 per ADA for grades 4 through 6; (c) $10,478 per ADA for grades 7 and 8; and (d) $12,460 per ADA for grades 9 through 12. These amounts do not reflect Supplemental and Concentration Grants, or other add-ons and adjustments.

School districts that serve students of limited English proficiency ("EL" students), students from low-income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. LCFF authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable adjusted Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. In addition, 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 adjusted Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The Elementary School District's 2023-24 EL/LI unduplicated count is 41.28% of enrollment.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's funded ADA, which is equal to the greater of current, prior, or the average of the three most recent prior years' ADA (with certain adjustments applicable to small school districts). This funding amount, together with any applicable 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 school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. 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 basic aid 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 Elementary School District is a basic aid district.

Accountability. The California Department of Education ("CDE") has adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts 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 A.B. 97. 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 are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The CDE has adopted a template LCAP for use by school districts. The District adopted its most recent LCAP update, including the related budget overview for parents, on June 12, 2024.

Support and Intervention. A.B. 97 establishes a new system of support and intervention to assist school districts to 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 (a) the LCAP or annual update adheres to the CDE template, and (b) 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 priorities, or the assignment of an academic expert to assist the district to identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by A.B. 97 and charged with assisting school districts to achieve the goals set forth in their LCAPs. In late 2015, the CDE developed rubrics to assess school district performance and the need for support and intervention.

A.B. 97 also authorizes the State Superintendent of Public Instruction (the "State Superintendent"), with the approval of the CDE, 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 (a) modify a district's LCAP, (b) impose budget revisions designed to improve student outcomes, and (c) 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 under A.B. 97 to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the Santa Cruz City Schools receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for 14 programs was excluded from the LCFF—including, among others, child nutrition, after school education and safety, special education, and State preschool—and school districts will continue to receive restricted State revenues to fund these programs.

Enrollment; Average Daily Attendance

As described herein, average daily attendance ("ADA") is a primary factor in determining a school district's LCFF entitlement. However, because the Elementary School District is a "basic aid" district, almost all of its LCFF revenue comes from local tax revenue rather than State aid, and accordingly fluctuations in the Elementary School District's ADA do not significantly affect the District's funding. Because the High School District is an LCFF district, rather than a basic aid district, changes in the High School District's ADA directly impact its LCFF funding.

For fiscal years 2019-20, 2020-21, and 2021-22, the Santa Cruz City Schools remained funded at pre-pandemic ADA levels due to State bills passed in response to the COVID-19 pandemic and due to existing LCFF funding calculations. Starting with fiscal year 2022-23, in order to allow school districts to adjust to enrollment-related funding declines and minimize the impacts of a single-year drop in enrollment, the legislation enacting the 2022-23 State Budget amended the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' ADA.

The following table shows a breakdown of the Santa Cruz City Schools' funded ADA by grade span, total enrollment, and total LCFF funding for fiscal years 2014-15 through 2023-24, and projected for 2024-25. The columns for transitional kindergarten through grade eight represent the ADA of the Elementary School District, while the column for grades nine through 12 represents the ADA for the High School District.

TABLE A-1
SANTA CRUZ CITY SCHOOLS
(Santa Cruz County, California)
Funded ADA[1] by Grade Span, Total Enrollment, and Total LCFF Funding
Fiscal Years 2014-15 through 2024-25

Year	Grades TK-3 [3]	Grades 4-6 [3]	Grades 7-8 [3]	Grades 9-12 [4]	Total Combined ADA	Total Enrollment [2]	Total LCFF Funding [6]
2014-15	1,501	1,160	746	3,206	6,613	7,092	$51,317,963
2015-16	1,534	1,126	746	3,201	6,606	6,937	57,888,927
2016-17	1,472	1,134	752	3,107	6,465	6,788	58,363,051
2017-18	1,386	1,085	715	3,175	6,361	6,733	60,982,430
2018-19	1,344	1,377	719	3,189	6,630	6,599	68,172,896
2019-20	1,239	1,007	721	3,167	6,133	6,439	70,261,006
2020-21	1,240	997	740	3,207	6,183	6,349	69,957,026
2021-22	1,241	998	741	3,206	6,186	6,153	72,582,603
2022-23	1,189	945	719	3,173	6,027	5,965	82,357,129
2023-24	1,145	877	685	3,104	5,812	6,121	86,408,798
2024-25 [5]	1,106	841	593	3,088	5,628	6,084	87,819,709

(1) Excludes adult education and regional occupational program students.
(2) Except for 2024-25, reflects "census day" enrollment figures.
(3) Elementary School District ADA.
(4) High School District ADA.
(5) Projected/budgeted.
(6) Combined Elementary School District and High School District LCFF Funding.
Source: Santa Cruz City Schools.

Enrollment Trends. As shown in the above Table A-1, the Santa Cruz City Schools has experienced a decline in student enrollment in recent years, including up to the current budget year, driven by a variety of factors including the COVID-19 pandemic, housing availability and cost of living, and birth rates and other demographic factors. Program expansion, including mandated pre-kindergarten expansion and flexible educational offerings (independent study), are expected to mitigate declining enrollment. In addition, new housing developments, including a series of recently completed and anticipated low-income housing projects, are expected to add new students, offsetting potential enrollment declines due to demographic trends at large. Due to these factors, the Santa Cruz City Schools is projecting an essentially flat enrollment trend over next three fiscal years.

Charter Schools. The Santa Cruz City Schools has authorized one independent charter school, the Delta Charter High School, which operates within the boundaries of the High School District and enrolls approximately 120 students. The Delta Charter School's financial and operating data are reported separate from that of the Santa Cruz City Schools, though the Santa Cruz City Schools maintains oversight responsibility over the charter school under State law.

In addition, the County Office of Education has authorized the Pacific Collegiate School, a countywide charter serving approximately 560 students in grades seven through 12. The Pacific Collegiate School is not affiliated with the

Santa Cruz City Schools, however some portion of the charter school's students reside in the Santa Cruz City Schools' boundaries.

To the extent charter schools draw students from school districts and reduce school district enrollment, charter schools can adversely affect school district general fund revenues. Certain per-pupil expenditures of a school district also decrease based upon the number of students enrolled in charter schools. Pursuant to Proposition 39, school districts are required to provide facilities reasonably equivalent to those provided to regular district students for charter schools having a projected average daily attendance of at least 80 or more students from that district.

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

Revenue Sources

As described herein, the Elementary School District and the High School District combine most of their financial and operating data, including reporting one combined general fund of the Santa Cruz City Schools. Major revenue sources of the Santa Cruz City Schools are described below.

LCFF Revenues. Local property tax revenues, i.e., a school district's share of the local general 1% property tax, make up the principal component of LCFF revenues. The LCFF funding formula itemizes the local revenues that are counted towards the LCFF amount before calculating how much the State must provide in equalization aid. For basic aid districts such as the Elementary School District, local property taxes received exceed the LCFF entitlement, thus no State equalization aid is necessary. The High School District, which is not a basic aid district, receives State apportionments above the amounts derived from local property taxes.

Federal Revenues. The federal government provides funding for several Santa Cruz City Schools programs, including Title I, Title II, Title III and Title IV funding, and special education entitlement/grants. Most of the federal revenues received by the Santa Cruz City Schools are restricted.

Other State Revenues. In addition to State apportionment aid under the LCFF, the Santa Cruz City Schools receives other State revenues, such as State Lottery money, career technical education grants, the After School Education and Safety program, and certain special education grants. These other State revenues are primarily restricted funding for certain programs that were excluded from the LCFF's elimination of most categorical funding grants.

A portion of such Other State Revenues are amounts the District receives from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total ADA.

Other Local Revenues. In addition to property taxes, the Santa Cruz City Schools receives other local revenues from items such as leasing of facilities, interest earnings, certain State special education funding derived from local sources, and local parcel taxes approved by the voters of the Elementary School District and the High School District, respectively.

In March of 2020, the Elementary School District and High School District voters, respectively, approved parcel tax Measures "U" (Elementary School District") and "T" (High School District), which replaced the existing parcel tax Measures "P" and "J." Revenue from the parcel taxes represents the largest component of the Santa Cruz City Schools' other local revenues, with estimated revenue of $3,256,240 from Measure U (Elementary School District) and $3,701,269 from Measure T (High School District) in 2024-25.

Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the CDE's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts, including the Santa Cruz City Schools. Significant accounting policies followed by the Santa Cruz City Schools are summarized in Note 1 to the Santa Cruz City Schools' audited financial report for the fiscal year ended June 30, 2023, which is included in this Official Statement as APPENDIX C.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year, primarily because State law requires school district annual audit reports for the previous fiscal year to be provided to the County Superintendent and to the State by no later than December 15.

The following table contains data abstracted from annual financial reports prepared by the Santa Cruz City Schools' independent auditor, Crowe LLP, Sacramento, California. The Santa Cruz City Schools' auditor has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has not audited or reviewed this Official Statement.

The following table shows the statement of audited revenues, expenditures and changes in fund balances for the Santa Cruz City Schools' general fund for the fiscal years 2018-19 through 2022-23.

TABLE A-2
SANTA CRUZ CITY SCHOOLS
(Santa Cruz County, California)
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2018-19 through 2022-23

	2018-19	2019-20	2020-21	2021-22	2022-23
REVENUES*					
LCFF sources	$68,172,896	$70,261,006	$ 71,724,259	$ 74,716,936	$ 82,357,219
Federal sources	3,565,767	3,518,497	8,220,152	5,761,501	8,087,101
Other State sources	10,397,307	7,871,667	9,851,175	12,771,097	18,164,847
Other local sources	9,799,134	9,942,182	10,375,443	10,066,676	11,455,309
Total Revenues	$91,935,104	$91,593,352	$100,171,029	$103,316,210	$120,064,383
EXPENDITURES					
Certificated Salaries	$37,372,611	$38,067,236	$37,087,889	$40,231,157	$ 43,379,535
Classified Salaries	12,674,347	13,193,689	13,516,802	15,159,854	17,656,960
Employee Benefits	26,003,998	25,791,063	24,082,051	26,719,370	28,809,865
Books and Supplies	4,384,827	2,863,592	5,172,964	4,480,545	3,354,398
Services and Operating Expenses	9,069,311	11,420,069	10,527,972	12,040,114	15,670,014
Other Outgo	25,584	24,206	15,785	7,847	17,141
Capital Outlay	797,942	1,068,887	1,167,048	762,059	577,688
Total Expenditures	$90,328,620	$92,428,742	$91,570,511	$99,400,946	$109,465,601
Excess (Deficiency) of Revenues Over Expenditures	$ 1,606,484	$ (835,390)	$ 8,600,518	$ 3,915,264	$ 10,598,782
Other Financing Sources (Uses)					
Transfers in	$ 779,000	$ 2,711,579	$2,500,000	$2,500,000	$2,500,000
Transfers out	(312,863)	(406,902)	(627,921)	--	--
Total Other Financing Sources (Uses)	$ 466,137	$ 2,304,677	$1,872,079	$2,500,000	$2,500,000
FUND BALANCES					
Net Change in Fund Balance	$ 2,072,621	$ 1,469,287	$10,472,597	$ 6,415,264	$13,098,782
Fund Balances, July 1, beginning	$14,290,485	$16,363,106	$17,832,393	$28,304,990	$34,720,254
Fund Balances, June 30, ending	$16,363,106	$17,832,393	$28,304,990	$34,720,254	$47,819,036

* Restricted and Unrestricted General Fund Revenues.
Source: Santa Cruz City Schools Audited Financial Reports for fiscal years 2018-19 through 2022-23.

District Budget Process and County Review

The Santa Cruz City Schools is required by State law to adopt a final budget by July 1 in each year. The 2024-25 original budget was adopted by the Santa Cruz City Schools' Board of Education on June 12, 2024. Throughout the fiscal year, all revenues and appropriations are subject to review and since the budget must remain in balance, any shortfall in revenues could require a reduction in appropriations.

The Santa Cruz City Schools is under the jurisdiction of the County of Santa Cruz Superintendent of Schools (the "County Superintendent"). The County Superintendent is independent from, and is not an officer of, the County. A county superintendent must review and approve, conditionally approve, or disapprove a school district's budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the district with recommendations for revision. The district is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the county superintendent no later than October 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval. By December 31 of each year, every school district must have an adopted budget, or the county superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If, after taking various remedial actions, a county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent, and the president of the State Board of Education (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State Board of Education or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

Reports and Certifications. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications, known as the "First Interim Report" and "Second Interim Report," with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, 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, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. The table below lists the District's interim report certification status for the past four fiscal years.

SANTA CRUZ CITY SCHOOLS
Recent History of Interim Report Status
Fiscal Years 2020-21 to 2023-24

Fiscal Year	First Interim	Second Interim
2020-21	Positive	Positive
2021-22	Positive	Positive
2022-23	Positive	Positive
2023-24	Positive	Positive

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. The county superintendent, however, is not authorized to approve any diversion of revenue from ad valorem property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State Board of Education or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State General Fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State General Fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State General Fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State General Fund will be based upon the availability of funds within the State General Fund.

The following table summarizes the Santa Cruz City Schools' 2023-24 general fund unaudited actual results and 2024-25 general fund operating budget.

TABLE A-3
SANTA CRUZ CITY SCHOOLS
(Santa Cruz County, California)
Summary of Unaudited Actual, and Budgeted
General Fund, Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2023-24 and 2024-25 [1], [2]

Revenues	**Unaudited Actuals 2023-24**	**Operating Budget 2024-25**
LCFF Sources	$ 86,408,798	$ 87,819,709
Federal Revenue	9,632,143	3,656,167
Other State Revenue	11,736,386	12,117,802
Other Local Revenue	12,441,660	9,068,659
Total Revenues	$120,218,986	$112,662,337
Expenditures		
Certificated Salaries	$ 44,699,982	$ 46,751,955
Classified Salaries	18,641,193	18,203,256
Employee Benefits	30,486,090	33,003,462
Books and Supplies	4,285,671	6,077,516
Services and Other Operating Expenses	17,267,579	18,999,349
Capital Outlay	1,329,234	843,244
Other Outgo (excluding Transfers of Indirect Costs)	176,457	317,514
Other Outgo - Transfers of Indirect Costs	--	--
Total Expenditures	$116,886,205	$124,196,296
Excess (Deficiency) Of Revenues Over Expenditures (before Other Financing Sources and Uses)	$3,332,782	$(11,533,959) [3]
Other Financing Sources/Uses		
Interfund Transfers In	$2,500,000	$2,500,000
(Interfund Transfers Out)	(1,500,000)	1,037,700
Net Increase (Decrease) in Fund Balances	$ 4,332,782	$(10,071,659)
Fund Balance Beginning [4]	$43,588,213	$47,920,995
Fund Balance Ending	$47,920,995	$37,849,336

[1] Restricted and Unrestricted General Fund Revenues.
[2] Totals may not add due to rounding.
[3] See " –2024-25 Spend down" below for a discussion regarding 2024-25 deficit spending.
[4] Unaudited or budgeted fund balances differ from prior year audited figures due to certain special funds being combined with the general fund for audit reporting purposes, but excluded from the general fund for budgetary reporting purposes.
Source: Santa Cruz City Schools Unaudited Actuals for fiscal year 2023-24.

2024-25 Spend Down

During and after the height of the COVID-19 pandemic, the Santa Cruz City Schools received various one-time grant funding from State and federal sources, mostly related to specific legislation allocating funds for recovery, facility resiliency, learning loss mitigation, and other purposes. In addition, the Santa Cruz City Schools built up reserves during the five fiscal years preceding the current budget year 2024-25, in anticipation of rising costs and the need to maintain critical services in the event of uncertain State funding. A substantial portion of the one-time funding received in prior years has been or is budgeted or anticipated to be spent in 2024-25 through 2026-27, while other reserves and unassigned balances are also being spent down to maintain services, expand pre-kindergarten programs, and incorporate learning loss recovery programs.

Employee Relations

The Santa Cruz City Schools currently employs approximately 753 full-time equivalent (FTE) personnel, consisting of 405 FTE certificated employees, 303 FTE classified non-management employees, 45 FTE management or confidential employees. In addition, the Santa Cruz City Schools retains approximately 200 substitute teachers who work on an as-needed basis. For fiscal year 2024-25, the Santa Cruz City Schools has budgeted, pursuant to its July 1 operating budget, approximately $46.7 million and $18.1 million for certificated and classified payrolls, respectively, and approximately $33 million for employee benefits. Santa Cruz City Schools employees, other than management, confidential, and certain part-time employees, are represented by employee bargaining units as follows:

TABLE A-4
SANTA CRUZ CITY SCHOOLS
(Santa Cruz County, California)
Employee Bargaining Units and Current Collective Bargaining Agreements

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date [1]
Greater Santa Cruz Federation of Teachers	430	June 30, 2027
Santa Cruz City Schools Council of Classified Employees	400	June 30, 2027

[1] By law, each contract is in effect until a new contract is approved.
Source: Santa Cruz City Schools.

Retirement Benefits

The information set forth below regarding the CalSTRS and CalPERS programs, other than the information provided by the Santa Cruz City Schools regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by the Santa Cruz City Schools.

The Santa Cruz City Schools participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time faculty members, and the State Public Employees' Retirement System ("CalPERS"), which covers classified employees. Classified personnel who are employed more than half of full-time service may participate in CalPERS.

Each of CalSTRS and CalPERS 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 CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: www.calstrs.com; (ii) CalPERS: www.calpers.ca.gov. *The information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.*

District Contributions. The following table sets forth the Santa Cruz City Schools' total contributions to CalSTRS and CalPERS for fiscal years 2017-18 through 2022-23, the estimated (unaudited) contributions for fiscal year 2023-24, and the budgeted contributions for fiscal year 2024-25. For more information regarding the Santa Cruz City Schools' retirement benefits obligations, see APPENDIX C – "SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023" (Notes 7 and 8).

TABLE A-5
SANTA CRUZ CITY SCHOOLS
Aggregate Employer Contributions to CalSTRS and CalPERS
Fiscal Years 2017-18 through 2024-25

Fiscal Year	Employer CalSTRS Contributions (1)	Employer CalPERS Contributions (1)
2017-18	$5,020,979	$1,705,326
2018-19	5,840,243	2,173,172
2019-20	6,238,340	2,537,388
2020-21	5,734,980	2,515,236
2021-22	6,530,857	3,210,984
2022-23	7,802,347	4,105,695
2023-24 (2)	8,208,517	4,777,753
2024-25 (3)	8,754,625	4,869,111

(1) Reflects data for all funds, including the general fund. Does not include on-behalf payments from the State.
(2) Unaudited.
(3) Projected/budgeted.
Source: Santa Cruz City Schools Audit Reports for fiscal years 2017-18 through 2022-23; and the Santa Cruz City Schools 2024-25 adopted budget.

CalSTRS. All full-time certificated employees, as well as certain classified employees, are members of CalSTRS. CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "CalSTRS Defined Benefit Program"). The CalSTRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Employees, the State, and employers all contribute to CalSTRS. The funding plan enacted through Assembly Bill 1469 ("AB 1469") in 2015, and related legislation, provides the State Teachers Retirement Board (the "STRS Board") with authority to modify, based upon recommendations from its actuary, the percentages paid by employers and employees starting in 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded actuarial obligation by June 30, 2046, provided that the employer contribution rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to CalSTRS are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. The STRS Board also has authority to reduce employer and State contributions if they are no longer necessary.

As shown in the below table, the employer contribution rate for fiscal year 2024-25 is 19.1% of covered payroll. The effective employer contribution rates, as adjusted/reduced by State appropriations, from fiscal year 2015-16 through 2024-25, are shown in the following schedule:

TABLE A-6
K-14 SCHOOL DISTRICT CONTRIBUTION RATES
CalSTRS (Defined Benefit Program)

Effective Date	Employer Contribution Rate [(1)]
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	17.10 [(2)]
July 1, 2020	16.15 [(3)]
July 1, 2021	16.92 [(4)]
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10

[(1)] Expressed as a percentage of covered payroll.
[(2)] The 2019-20 State Budget provided supplemental payments to CalSTRS, reducing the employer contribution rate from 18.13% to 17.10% for fiscal year 2019-20.
[(3)] The 2020-21 State Budget reallocated the supplemental State payment allocated in the 2019-20 State Budget, to instead be used solely to reduce employer contribution rates, to approximately 16.15% in fiscal year 2020-21.
[(4)] In 2021–22, the employer rate was 2.18% less than the rate set by the CalSTRS Board.
Source: CalSTRS.

The Santa Cruz City Schools' total employer contributions to CalSTRS for fiscal years 2015-16 through 2023-24 were equal to 100% of the required contributions for each year (see Table A-5 above). The District is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalPERS. The Santa Cruz City Schools contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws.

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

School districts are required to contribute to CalPERS at an actuarially determined rate, including based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date. State legislation has, in some recent fiscal years, appropriated State contributions to the Schools Pool, resulting in adjusted CalPERS employer contribution rates reduced from the actuarially determined and adopted/projected rates.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2023 (the "CalPERS Schools Pool Actuarial Valuation"), was presented in summary form to the CalPERS Board on April 15, 2024, and such summary reported an actuarial accrued liability of $124,924 billion with the market value of assets at $84,292 billion, and a funded status of 67.5%.

On April 16, 2024, the CalPERS Board set the fiscal year 2024-25 school employer contribution rate at 27.05%. Employer contribution rates for fiscal years 2019-20 through the current fiscal year 2024-25, and projected for fiscal years 2025-26 through 2029-30 are shown in the following table.

TABLE A-7
EMPLOYER CONTRIBUTION RATES
CALPERS

Fiscal Year	Employer Contribution Rate [1]
2019-20	19.72%
2020-21	20.70
2021-22	22.91
2022-23	25.37
2023-24	26.68
2024-25	27.05
2025-26 [2]	27.40
2026-27 [2]	27.50
2027-28 [2]	28.50
2028-29 [2]	28.20
2029-30 [2]	27.80

Note: The CalPERS Board is expected to approve official employer contribution rates for each fiscal year, during the preceding fiscal year.
[1] Expressed as a percentage of covered payroll.
[2] Projected.
Source: CalPERS

The Santa Cruz City Schools' contributions to CalPERS for fiscal years 2019-20 through 2023-24 equaled 100% of the required contributions for each year (see Table A-5 above).

Potential Increase in Pension Liabilities. Recessions and other economic disruptions, including the attending potential volatility in the U.S. and global stock markets, could have a material impact on the investments in the State pension trusts, which could materially increase either or both CalSTRS' and CalPERS' unfunded pension liabilities, which, in turn, could result in material changes to the required employer contribution rates in future fiscal years. As to CalSTRS, however, under existing law, the CalSTRS Board may not increase the employer contribution rate by more than 1% in any fiscal year, up to a maximum employer contribution rate of 20.25%. The District is unable to predict whether or to what extent its required employer contribution rates, or its proportionate share of net pension liability, in connection with CalSTRS or CalPERS, may be affected by the COVID-19 pandemic or any future economic disruption.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 ("PEPRA") into law on September 12, 2012. PEPRA affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "Implementation Date"). As it pertains to CalSTRS participants hired after the Implementation Date, PEPRA changes the normal retirement age, increasing the eligibility for the 2% "age factor" (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. For non-safety CalPERS participants hired after the Implementation Date, PEPRA changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required 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 CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped 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 CalSTRS and CalPERS 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 67 and 68; Net Pension Liability. In June 2012, GASB approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 took effect for fiscal years beginning after June 15, 2013, and Statement Number 68 took effect for fiscal years beginning after June 15, 2014.

As of June 30, 2023, the Santa Cruz City Schools' proportionate share of net CalSTRS pension liability was $63,778,000, and its proportionate share of net CalPERS pension liability was $32,283,000. The Santa Cruz City Schools' proportionate share of net pension liability for each plan is based on a projection of its long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. For further information regarding the Santa Cruz City Schools' net pension liability, see APPENDIX C –"SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023 – Notes 7 and 8."

Other Post-Employment Benefits

In addition to the retirement plan benefits with CalSTRS and CalPERS discussed above, the Santa Cruz City Schools provides certain post-retirement healthcare benefits ("OPEB"), in accordance with the Santa Cruz City Schools' employment contracts. The OPEB plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Santa Cruz City Schools. The Plan provides medical, dental, vision, and life insurance benefits to eligible retirees. As of June 30, 2023, membership in the Plan consisted of 54 retirees currently receiving benefits and 668 participating active employees.

The Plan benefits, and the contribution requirements of the Santa Cruz City Schools (employees are no required to contribute to the Plan), are established by labor agreements and may be amended by the Board of Education and the employee labor groups. The benefit payments are based on projected pay-as-you-go financing requirements. For the year ended June 30, 2023, the District paid $578,709 in benefit payments as such payment came due. For the year ended June 30, 2021, the District paid 873,491 in benefit payments.

OPEB Liability. Beginning in fiscal year 2017-18, the Santa Cruz City Schools was required to implement GASB Statement Number 75, which replaced GASB Statement Number 45 as the accounting standard for OPEB plans. The Santa Cruz City School's total OPEB liability was $18,882,202 reported as of June 30, 2023, with a measurement date of June 30, 2022. The Santa Cruz City Schools currently finances benefits on a pay-as-you-go basis and has no position in a GASB 75-compliant trust to net against the total OPEB Liability.

The following table illustrates the changes in the Santa Cruz City Schools' total OPEB liability during the fiscal year June 30, 2023, based on experience and actuarial assumptions:

TABLE A-8
SANTA CRUZ CITY SCHOOLS
Changes in the Total and Net OPEB Liability

Total OPEB Liability at June 30, 2022	**$20,439,490**
Changes recognized for measurement period:	
Service Cost	$ 1,720,069
Interest	416,664
Assumption Changes	(3,115,312)
Benefit Payments	(578,709)
Net Changes	$ (1,557,288
Total OPEB Liability as of June 30, 2023	**$ 18,882,202**

Source: Santa Cruz City Schools Audit Report for fiscal year ending June 30, 2023.

For a description of the Santa Cruz City Schools' actuarial methods and assumptions as of June 30, 2023, see APPENDIX C –"SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023 - Note 9, Other Post-Employment Benefits (OPEB)."

Public Entity Risk Pools; Joint Powers Authorities

The Santa Cruz City Schools is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. In order to manage these risks, the Santa Cruz City Schools participates in joint ventures under joint powers agreements ("JPAs") with the Santa Cruz-San Benito County Schools Insurance Group (SC-SBSIG), Self-Insured Schools of California III (SISC III), Southern Peninsula Region Insurance Group (SPRIG), the School Project for Utility Rate Reduction (SPURR), the Protected Insurance Program for Schools (PIPS) and Nor-Cal Relief (NCR) public entity risk pools. The relationship between the Santa Cruz City Schools and the JPAs/risk pools is such that none are a component unit of Santa Cruz City Schools for financial reporting purposes. Settled claims have not exceeded coverage in any of the past three years.

The JPAs arrange for and provide property, liability, workers' compensation, medical, dental, and vision insurance and excess liability coverage for its members. Each joint venture is governed by a board consisting of representatives from various member districts. Each board controls the operations of the JPA, including selection of management, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The Santa Cruz City Schools' share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA. For condensed financial asset and liability balances for each JPA, see APPENDIX C –"SANTA CRUZ CITY SCHOOLS AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023 - Note 10, Joint Powers Agreements."

Cybersecurity

The Santa Cruz City Schools relies on technology infrastructure to conduct its operations. Further, the Santa Cruz City Schools routinely collects, processes, and distributes private, protected and personal information on students, staff, parents, visitors, and contractors. As custodian of such information, the Santa Cruz City Schools may face various cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems.

The Santa Cruz City Schools has not experienced any cybersecurity incident in the last five years.

The Santa Cruz City Schools maintains cybersecurity insurance in the event of an attack. Further, the Santa Cruz City Schools conducts cybersecurity training and drills in order to keep employees aware of and trained against common threats and attacks. No assurances can be given that the security and operational control measures of the Santa Cruz City Schools will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the Santa Cruz City Schools and damage the digital networks and systems. The Santa Cruz City Schools cannot predict the outcome of any such attack, nor the effect on the operations and finances of the Santa Cruz City Schools.

District Debt Structure

Long-Term Debt Summary. Changes in the Santa Cruz City Schools' long-term obligations for the year ended June 30, 2023, consisted of the following:

TABLE A-9
SANTA CRUZ CITY SCHOOLS
(Santa Cruz County, California)
Summary of Long-Term Debt for Fiscal Year 2022-23

Long-Term Debt	Beginning Balance July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023
General Obligation Bonds	$216,334,643	--	$ 8,111,643	$208,223,000
Bond Premium	14,381,018	--	865,092	13,515,926
Accreted Interest	2,962,402	$ 265,092	853,356	2,374,138
Certificates of Participation	720,000	--	140,000	580,000
Leases	6,685,628	--	652,586	6,033,042
Net Pension Liability	42,810,000	$30,220,000	--	73,030,000
Total OPEB Liability	20,439,490	--	1,557,288	18,882,202
Compensated Absences	85,674	196	--	85,870
Total	**$304,418,855**	**$30,485,288**	**$12,179,965**	**$322,724,178**

Source: Santa Cruz City Schools Audited Financial Report for fiscal year 2022-23.

General Obligation Bonds. The bond-related debt figures in the above Table A-9 reflect the bond obligations of the Santa Cruz City Schools, including both the Elementary School District and the High School District's bonds. In addition to the Bonds discussed herein, the Elementary School District has additional outstanding general obligation bonds, all of which are secured by *ad valorem* taxes levied upon all property subject to taxation by the Elementary School District. For a detailed summary of the Elementary School District's outstanding general obligation bonds, including annual debt service requirements for the Bonds and the outstanding general obligation bonds, see "DEBT SERVICE SCHEDULES – Other General Obligation Bonds" and "–Aggregate Debt Service" in the front portion of this Official Statement.

Certificates of Participation. On July 22, 2010, the Santa Cruz City Schools executed and delivered $2,346,000 in principal amount of Certificates of Participation (2010 Qualified School Construction Bonds) (the "2010 COPs"), the proceeds of which were used to finance the construction, installation and equipping of field improvements at the Santa Cruz City Schools' Branciforte Middle School. The "Certificates of Participation" balance noted in the above Table A-9 reflects the outstanding obligation as of the most recent audit report, for the fiscal year ending June 30, 2023.

Currently, $440,000 in principal amount of the 2010 COPs remains outstanding, with a final maturity in 2027. The 2010 COPs are designated as "Qualified School Construction Bonds" and, under applicable federal regulations, the District receives a cash subsidy payment from the U.S. Treasury which generally covers the interest component of the debt service. Notwithstanding the subsidy payments, the Santa Cruz City Schools remains liable for all scheduled debt service payments, subject to appropriations and abatement provisions of the lease agreement delivered in connection with the 2010 COPs. Remaining annual debt service requirements for the 2010 COPs are as follows:

Period Ending (May 1)	Principal	Interest	Debt Service
2025	145,000.00	31,364.00	176,364.00
2026	145,000.00	21,199.50	166,199.50
2027	150,000.00	10,890.00	160,890.00
Total	**$440,000.00**	**$63,453.50**	**$503,453.50**

2022 Lease Financing. On February 16, 2022, the Santa Cruz City Schools entered into a private-placement financing, the 2022 Equipment Lease/Purchase Agreement (the "2022 Lease"), in the principal amount of $6,685,628.41, in order to finance the acquisition and installation of energy efficiency upgrades and renewable technologies at Santa Cruz City Schools campuses. The "Leases" balance noted in the above Table A-9 reflects the outstanding obligation as of the most recent audit report, for the fiscal year ending June 30, 2023.

Currently, the 2022 Lease remains outstanding in the principal amount of $5,083,256.94. The final maturity for the 2022 Lease is February 1, 2032. Remaining annual debt service requirements for the 2022 Lease are as follows:

Period Ending (February 1)	Principal	Interest	Debt Service
2025	639,682.74	81,164.39	720,847.13
2026	649,572.27	71,223.83	720,796.10
2027	659,614.70	61,129.59	720,744.29
2028	669,812.38	50,879.29	720,691.67
2029	680,167.71	40,470.51	720,638.22
2030	690,683.14	29,900.82	720,583.96
2031	701,361.14	19,167.73	720,528.87
2032	712,204.23	8,268.69	720,472.92
Total	**5,403,098.31**	**362,204.85**	**5,765,303.16**

STATE BUDGETS

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 guarantees the accuracy or completeness of this information and have not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the Santa Cruz City Schools. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof.

The State Budget Process

According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010, as "Proposition 25", a final budget must be adopted by a majority vote (rather than a supermajority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the Santa Cruz City Schools might experience delays in receiving certain expected revenues.

Proposition 98 Education Funding. The Proposition 98 funding amount for education in a given year varies throughout the stages of the budget and appropriation process, from the Governor's January budget proposal to the final adopted budget, and may continue to evolve even through actual expenditures and post-year-end revisions to the prior year budget.

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

Although the California Constitution requires the State to approve a balanced State budget each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009, and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

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

Fiscal Year 2023-24 State Budget

On June 27, 2023, the Governor signed the legislative version of the State budget for fiscal year 2023-24 (the "2023-24 State Budget"). The 2023-24 State Budget reported that, after two years of growth, the State was projected to face a downturn in revenues driven by a declining stock market, persistently high inflation, rising interest rates and job losses in high-wage sectors.

The 2023-24 State Budget predicted a $31.7 billion revenue shortfall in fiscal year 2023-24. To close the budget gap, the 2023-24 State Budget included a series of measures intended to avoid deep reductions to priority spending, as follows:

- Fund Shifts – $9.3 billion in shifts of spending commitments from the State general fund to other sources.

- Reductions/Pullbacks – $8.1 billion in State general fund spending reductions or pullbacks of previously approved spending.

- Delays – $7.9 billion in delayed spending across multiple years, without reducing the amount of funding over the same period.

- Revenue and Internal Borrowing – $6.1 billion in revenue, primarily from the Managed Care Organization tax, and internal borrowing from special fund balances not projected for programmatic purposes.

- Trigger Reductions – $340 million in reductions that will be restored in the proposed State budget for fiscal year 2024-25 if there are sufficient resources to do so.

For the prior fiscal year (2022-23), the 2023-24 State Budget projected total general fund revenues and transfers of $205.1 billion and authorizes expenditures of $234.6 billion. The State projected to end the 2022-23 fiscal year with total reserves of $54.2 billion, including $21.1 billion in the traditional general fund reserve, $22.3 billion in the Budget Stabilization Account ("BSA"), $9.9 billion in the Public School System Stabilization Account ("PSSSA") and $900 million in the Safety Net Reserve Fund. For fiscal year 2023-24, the 2023-24 State Budget projected total general fund revenues and transfers of $208.7 billion and authorizes expenditures of $225.9 billion. The State projected to end the 2023-24 fiscal year with total reserves of $37.8 billion, including $3.8 billion in the traditional general fund reserve, $22.3 billion in the BSA, $10.8 billion in the PSSSA and $900 million in the Safety Net Reserve Fund. The 2023-24 State Budget indicated that maintaining this level of reserves provides a prudent insurance policy, as the State continues to face revenue risks and uncertainty. The ending balance in the BSA is at the constitutional maximum amount, requiring any amounts in excess thereof to be dedicated to infrastructure improvements. The 2023-24 State Budget also included revised deposits to the PSSSA of $4.8 billion and $1.8 billion attributable to fiscal years 2021-22 and 2022-23, respectively, and authorized a deposit in fiscal year 2023-24 of $902 million.

K-12 Education Spending. The 2023-24 State Budget set total funding for all K-12 education programs at $129.2 billion, including $79.5 billion from the State general fund and $49.7 billion from other sources. The minimum funding guarantee in fiscal year 2023-24 was set at $108.3 billion. The 2023-24 State Budget also made retroactive increases to the minimum funding guarantee in fiscal years 2021-22 and 2022-23, setting them at $110.6 billion and $107.4 billion, respectively. Test 1 was projected to be in effect over this three year period. To accommodate enrollment increases related to the expansion of transitional kindergarten (as further described below), the 2023-24 State Budget rebenched the Test 1 percentage, from approximately 38.2% to 38.5%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee. (See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 111" for additional context.)

Other significant features of the 2023-24 State Budget relating to K-12 education funding include the following:

- *Local Control Funding Formula*: The 2023-24 State Budget funded a COLA of 8.22% to LCFF apportionments. When combined with declining enrollment adjustments, this increased year-over-year discretionary funds available to local educational agencies by approximately $3.4 billion. The 2023-24 State Budget also provided for approximately $1.6 billion in one-time Proposition 98 resources to support the ongoing costs of the LCFF in fiscal year 2023-24, and an increase of $80 million in ongoing Proposition 98 funding for county offices of education serving students in juvenile court and other alternative school settings. Finally, to complement efforts to identify and address student group and school site equity gaps through school district LCAPs, the 2023-24 State Budget provided for $300 million in ongoing Proposition 98 funding to establish an Equity Multiplier as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps, and $2 million in ongoing Proposition 98 funding to support the work of equity leads within the Statewide system of support.

- *Universal Transitional Kindergarten*: The funding levels in the 2023-24 State Budget reflect $357 million in ongoing Proposition 98 funding to support the first year of expanded eligibility for transitional kindergarten to include all children turning five years old between September 2, and February 2 in fiscal year 2022-23 (roughly 29,000 children). Additionally, the 2023-24 State Budget reflected $238 million of Proposition 98 funding to support one additional classified or certificated staff person in every transitional kindergarten class in fiscal year 2022-23. The 2023-24 Budget included $597 million in ongoing Proposition 98 funding to support the second year of expanded eligibility to include all children turning five years old between September 2 and April 2 (roughly 42,000 children), beginning in fiscal year 2023-24. Additionally, the 2023-24 State Budget included $165 million to support one additional certificated or classified employee in every transitional kindergarten class. The 2023-24 Budget also made certain adjustments to the transitional kindergarten program, including (i) requiring that, commencing with the 2025-26 fiscal year, transitional kindergarten classrooms maintain a 1:10 adult-to-student ratio, (ii) enabling local educational agencies, in fiscal years 2023-24 and 2024-25, to enroll children whose fourth birthday falls between June 2 and September 1 in transitional kindergarten if classrooms meet the 1:10 ratio and maintain a total class size of 20 or less students, and (iii) extending the deadline for credentialed teachers to have earned 24 early education college credits, or its equivalent, or earned a child development teacher permit or early childhood education specialist credential. Finally, the 2023-24 State Budget delayed, to fiscal year 2024-25, $550 million of funding previously approved to support the construction or retrofit of full-day kindergarten and preschool facilities.

- *Literacy*: The 2023-24 State Budget provided for $250 million in one-time Proposition 98 funding for high-poverty schools, using evidence-based practices, to train and hire literacy coaches and reading specialists for one-on-one and small group interventions for struggling readers. The 2023-24 State Budget also provided $1 million in one-time Proposition 98 funding to support efforts to begin screening students in kindergarten through second grade for risk of reading difficulties, including dyslexia. Finally, the 2023-24 State Budget provides $1 million in one-time Proposition 98 funding to create a literacy roadmap to help educators navigate literacy resources provided by the State.

- *Educator Workforce*: The 2023-24 State Budget included a number of statutory changes to reduce barriers for those interested in entering the teacher profession, including (i) increasing the per-candidate allocation for the Teacher and School Counselor Residency Program, (ii) allowing greater time for residency candidates to complete their service requirements, (iii) providing additional ways for teachers to complete their teaching credentials, and (iv) allowing relocated U.S. military service members, or their spouses, to be issued a State teaching credential if they possess a valid, out-of-state credential. The 2023-24 State Budget also provided for $10 million in one-time Proposition 98 funding for grants to local education agencies to provide culturally relevant support and mentorship for educators to become school administrators.

- *Arts and Cultural Enrichment*: On November 8, 2022, State voters approved Proposition 28, which requires that an amount equal to 1% of the prior year's minimum funding guarantee be allocated to schools to increase arts instruction and arts programs in public education. The 2023-24 State Budget included approximately $938 million to fund this mandate. The 2023-24 State Budget also reflected a reduction of approximately $200 million in one-time Proposition 98 funding previously approved for the Arts, Music and Instructional Materials Block Grant.

- *Learning Recovery*: The 2022-23 State Budget established the Learning Recovery Emergency Fund and appropriated $7.9 billion in one-time Proposition 98 funding to establish a block grant to support local educational agencies in establishing learning recovery initiatives. The 2023-24 State Budget delayed approximately $1.1 billion of such funding to fiscal years 2025-26 through 2027-28.

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

- *Teacher Development*: The 2023-24 State Budget provided $20 million in one-time Proposition 98 funding to support the Bilingual Teacher Professional Development Program. The 2023-24 State Budget also provided $6 million in 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.

- *School Safety*: $119.6 million in one-time federal funds authorized by the Bipartisan Safer Communities Act to support local educational agency activities related to improving school climates and school safety.

- *Facilities*: The 2023-24 State Budget reflected a decrease of $100 million in State general fund support for the State school facilities program. The 2023-24 State Budget included $30 million in one-time Proposition 98 funding to support eligible facilities costs for the Charter School Facility Grant Program, and $15 million in one-time Proposition 98 funding to support grants to local educational agencies to acquire and install commercial dishwashers.

Fiscal Year 2024-25 State Budget

On June 29, 2024, the Governor signed the legislative version of the State budget for fiscal year 2024-25 (the "2024-25 State Budget"). The 2024-25 State Budget reflects an increase of $16.9 billion General Fund Revenues from the 2023-24 State Budget ($207.2 billion in 2024-25 compared to $192.2 billion in 2023-24) primarily reflecting increases in corporation and personal income tax collections. The 2024-25 State Budget reflects a decrease in General Fund Expenditures of $11.5 billion from the 2023-24 State Budget ($211.5 billion in 2024-25 compared to $223.0 billion in 2023-

24) primarily reflecting broad spending decreases for all major spending categories with the exceptions of expenditures for K-12 education and higher education, both of which see moderate funding increases.

Regarding the State's reserves and fund balances, the 2024-25 State Budget contemplates fully drawing down the Safety Net Reserve together with a two-year drawdown of the State's Budget Stabilization account (with projected withdrawals of $5.1 billion in 2024-25 and $7.1 billion projected in 2025-26). The 2024-25 State Budget includes $1.0 billion to fund the Public School System Stabilization Account.

The primary solutions to close the $46.8 billion deficit include the following:

- *Spending Reductions* - $16.0 billion in spending reductions, including an approximately 8% to state operations, a reduction of budgets for vacant positions, reductions to the Department of Corrections and Rehabilitation, and reductions to affordable housing and healthcare workforce programs.

- *Additional Revenues/Internal Borrowing* - $13.6 billion in additional revenue sources and internal borrowing, including temporarily suspending net operating loss carryovers and increased collections from the managed care organization tax.

- *Reserves Drawdowns* - $6.0 billion drawdown of reserves including $5.1 billion from the Budget Stabilization Account and $0.9 billion from the Safety Net Reserve.

- *Funding Shifts* - $6.0 billion in funding shifts from the General Fund to other funds.

- *Program Delays and Pauses* - $3.1 billion in delays and pauses, including delaying the expansion of the California Food Assistance Program for two years, pausing the expansion of childcare funding, and delaying state spending on broadband internet.

- *Deferrals* - $2.1 billion in deferrals.

K-12 Education Spending. The 2024-25 State Budget increases total funding for all K-12 education programs by $4.6 billion over 2023-24 State Budget funding levels, with total expenditures of $133.8 billion, including $81.5 billion from the State general fund and $52.3 billion from other sources.

Under certain circumstances, the State Constitution allows the State Legislature to suspend the Proposition 98 Minimum Guarantee and create a maintenance factor to be paid in future fiscal years when conditions require it. The 2024-25 State Budget suspends the Guarantee in fiscal year 2023-24 and projects the Guarantee to be in Test 1 in fiscal year 2024-25. In Test 1 years, the Guarantee is equal to the percentage of State General Fund appropriated for K-14 schools in the 1986-87 fiscal year. Suspending the Guarantee is projected to create a maintenance factor obligation of approximately $8.3 billion in fiscal year 2023-24 and is projected to result in a $4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Proposition 98 Guarantee level in fiscal year 2024-25. (See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 111" for additional context.)

After fully drawing down the Public School System Stabilization Account (Proposition 98 Rainy Day Fund) in fiscal year 2023-24, the 2024-25 State Budget includes a roughly $1.1 billion discretionary payment into the Proposition 98 Rainy Day Fund in fiscal year 2024-25.

Other significant features relating to K-12 education funding include the following:

- *Local Control Funding Formula* - The 2024-25 State Budget includes a Local Control Funding Formula (LCFF) cost-of-living adjustment of 1.07 percent. When combined with population growth adjustments, this will result in an increase of approximately $983 million, as compared to the 2023 Budget Act, in discretionary funds for local educational agencies (LEAs).

- *Learning Recovery Emergency Block Grant*– The 2024-25 State Budget delays the deadline for the needs assessment regarding the use and expenditure of Learning Recovery Emergency Block Grant funds from July 1, 2024, to the 2025-26 fiscal year.

- *Instructional Continuity* –The 2024-25 State Budget includes statutory changes to allow local educational agencies to provide attendance recovery opportunities to make up lost instructional time, offset student absences and mitigate learning loss and chronic absenteeism. Beginning July 1, 2025, LEAs will be required to include an instructional continuity plan in their School Safety Plan. The 2024-25 State Budget directs the California Department of Education to explore local student information systems to identify opportunities and make recommendations to allow LEAs to report individual student absence data to the state in a manner that allows for, at a minimum, local and statewide disaggregation of absences related to emergency events that prevent students from attending school.

- *Teacher Preparation and Professional Development* – $25 million in ongoing Proposition 98 funding to support training for educators to administer literacy screenings. The 2024-25 State Budget also provides $20 million in ongoing Proposition 98 funding for county offices of education to develop and provide training for mathematics coaches and leaders to support the delivery of high-quality math instruction.

- *Early Education* – The 2024-25 State Budget provides funding to support the second year of expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five-years-old between September 2 and February 2 to all children turning five-years-old between September 2 and April 2. The 2024-25 State Budget also includes funding to support the second year of adding an additional certificated or classified staff person to every transitional kindergarten class.

- *Nutrition* – Fully funds the universal school meals program in fiscal year 2024-25. Over 845 million meals are projected to be served through this program in fiscal year 2024-25.

- *State Facilities Funding Cuts* – The 2024-25 State Budget forgoes $875 million of funds approved as part of previous State budgets to support the construction of new school facilities or the retrofit of existing facilities for the purpose of providing TK, full-day kindergarten or preschool classrooms, forgoes a planned investment of $550 million to support the State Preschool, TK and Full-Day Kindergarten Facilities Grant Program, and forgoes a planned $500 million (of a planned $895 million) to support greening school bus fleets.

The State has not entered into any contractual commitment with the District, the County, the Underwriter nor the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although they believe the State sources of information listed herein are reliable, none of the District, the Municipal Advisor or the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein.

Additional Information on State Finances

The full text of proposed and adopted State budgets may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading "California Budget." The Legislative Analyst's Office ("LAO") budget overviews and other analyses may be found at www.lao.ca.gov under the heading "Products." In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov or through the Municipal Securities Rulemaking Board's EMMA website at emma.msrb.org.

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor's Office also formally updates its budget projections three times during each fiscal year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Future State Budgets

The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no 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. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* property tax levied by the County on all property subject to taxation by the District within the boundaries of the District for the payment thereof as described herein, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of Bonds was approved by the voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

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 adjusted base year value described above. 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 the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front part of this Official Statement.

Article XIIIA requires a vote of two-thirds or more 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) 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. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

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 relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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.

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

State-Assessed Utility 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. Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the 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, non-utility 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. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION - State Funding of Education" herein.

Article XIIIB of the California Constitution

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

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

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance ("ADA") 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 Fiscal Year 1986-87 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 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 State 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.

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 "Propositions 98 and 111" herein.

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, from levying general taxes; prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property, related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding A.B.x1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that A.B.x1 27, a companion bill to A.B.x1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 1A and Proposition 22" herein. A.B.x1 27 would have permitted redevelopment agencies to continue operations provided their establishing city or county agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

A.B.x1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("A.B. 1484"), which, together with A.B.x1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to A.B.x1 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 a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

The priority among the various types of enforceable obligations is as follows: (1) the first priority for payment is tax allocation bonds issued by the former redevelopment agency; (2) second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; (3) third is administrative costs of the Successor Agency, equal to at least $250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; (4) fourth is tax revenues in the Trust Fund in excess of such amounts, if any, and will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory 2% pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (A.B. 1290, Chapter 942, Statutes of 1993) ("A.B. 1290"), are restricted to educational facilities without offset against State funding. Only 43.3% of A.B. 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

A.B.X1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the county auditor/controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of A.B.X1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. A.B. 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its funding from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

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: (a) 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; (b) 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; (c) 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; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) 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.

Propositions 98 and 111

On November 8, 1988, voters of the State of California 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 changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87; and (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 changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, 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 is automatically 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 can 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 budget in a different way than is proposed in the 2018-19 State Budget.

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

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

(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 are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Further, 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 the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

(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 Fiscal Year 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 (i) 40.9% of State general fund revenues (the "first test") or (ii) 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 (A) the first test; (B) the second test, or (C) 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 (also referred to as a "maintenance factor") that 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 (a) 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 (b) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments 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 (i) any local government debts approved by the voters prior to July 1, 1978, or (ii) bonds to acquire 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: (a) 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; (b) 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 (c) 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 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), per $100,000 of taxable property value, 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 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 State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the Santa Cruz City Schools as being received from the State. To the extent the holding in such case would apply to State payments reflected in the Santa Cruz City Schools' 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 Santa Cruz City Schools 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 (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (d) 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 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.

Proposition 30

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes 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 imposes 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 is being 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 in the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (a) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers), (b) 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 (c) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

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

Proposition 2

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

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

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

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

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

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

Senate Bill 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediate after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of ADA.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters 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.

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 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Proposition 19

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"), which: (i) expanded 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) narrowed existing special rules for inherited properties; and (iii) broadened 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.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and the above-described Propositions 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 Santa Cruz City Schools revenues or the Santa Cruz City Schools' ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SANTA CRUZ AND SANTA CRUZ COUNTY

The following information concerning the City of Santa Cruz ("Santa Cruz" or the "City") and the County of Santa Cruz (the "County") is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of (or a pledge of the full faith and credit of) Santa Cruz, the County, the State or any of its political subdivisions, and neither Santa Cruz, the County, the State nor any of its political subdivisions are liable therefor.

Santa Cruz County

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

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

City of Santa Cruz

The City, incorporated in 1866, is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles from San Jose. The City is the county seat for the County of Santa Cruz and is a charter city which operates under the provisions of a voter approved charter. The City has an area of 12 square miles and is the home to the University of California, Santa Cruz, which first opened in 1965 and has a current enrollment of over 20,000 students.

Population

The following table shows population estimates for Santa Cruz and the County from 2019 through 2024.

POPULATION OF CITY OF SANTA CRUZ AND SANTA CRUZ COUNTY

Calendar Year (1)	City of Santa Cruz	Santa Cruz County
2019	65,414	271,822
2020	64,731	270,861
2021	57,112	265,533
2022	62,809	264,495
2023	62,929	263,338
2024	62,776	262,572

(1) Figures as of January 1 of the year indicated.
Source: State of California, Department of Finance.

Employment and Industry

The unemployment rate in the County was estimated to be 5.8% in August 2024 (not seasonally adjusted), up from a revised prior year estimate of 5.1% in August 2023. This compares with an unadjusted unemployment rate of 5.9% for California in August, 2024, and 4.4% (not seasonally adjusted) for the United States for the same period.

The following table summarizes the civilian labor force, employment and unemployment in the Santa Cruz-Watsonville Metropolitan Statistical Area, which comprises the same territory as the County, for the calendar years 2019 through 2023 (the last year for which data are available). These figures are County-wide statistics and may not necessarily accurately reflect employment trends in the District.

SANTA CRUZ WATSONVILLE MSA
(Santa Cruz County)
Civilian Labor Force, Employment and Unemployment by Industry
(Annual Averages, March 2023 Benchmark)[(1)(2)]

	2019	2020	2021	2022	2023
Civilian Labor Force [(1)]	141,200	134,800	132,800	132,700	133,200
Employment	134,200	121,800	123,600	126,200	125,600
Unemployment	7,000	13,100	9,200	6,400	7,600
Unemployment Rate	4.9%	9.7%	6.9%	4.9%	5.7%
Wage and Salary Employment: [(2)]					
Total Farm	8,200	8,000	7,200	7,100	6,700
Mining, Logging and Construction	4,500	4,400	4,800	5,000	5,100
Manufacturing	7,100	6,800	7,500	7,900	7,800
Wholesale Trade	3,400	3,300	3,300	3,500	3,300
Retail Trade	11,700	10,800	11,000	11,000	10,800
Transportation, Warehousing & Utilities	1,700	1,700	2,000	2,200	2,100
Information	600	600	600	600	600
Financial Activities	3,400	3,200	3,200	3,300	3,300
Professional and Business Services	10,900	10,400	10,600	10,700	9,900
Educational and Health Services	18,000	17,100	17,200	17,700	18,500
Leisure and Hospitality	14,800	10,300	11,800	14,000	14,500
Other Services	5,300	4,400	4,300	4,700	4,700
Federal Government	500	600	500	500	500
State Government	9,000	8,400	7,700	6,300	6,500
Local Government	12,800	12,000	11,900	12,000	12,300
Total All Industries [(3)]	111,900	101,800	103,700	106,400	106,500

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(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Columns may not add to totals due to rounding.
Source: State of California Employment Development Department, Labor Market Information Division.

Largest Employers

The following table shows the major employers in the County as of September 2024.

PRINCIPAL EMPLOYERS IN SANTA CRUZ COUNTY

Employer Name	Location	Industry
Ameri-Kleen	Watsonville	Services NEC
Audiology Associates	Soquel	Clinics
Cabrillo Sesnon House 1	Aptos	Caterers
Cocoanut Grove	Santa Cruz	Caterers
Costco Wholesale	Santa Cruz	Wholesale Clubs
Creekside Farms Inc.	Watsonville	Farms
Dominican Hospital	Santa Cruz	Hospitals
First Alarm	Aptos	Burglar Alarm Systems (whls)
Granite Construction Co	Watsonville	General Contractors
Granite Construction Inc	Watsonville	Construction-Building Contractors
Graniterock	Watsonville	Asphalt & Asphalt Products
Larse Farms Inc	Watsonville	Fruits & Vegetables-Growers & Shippers
Monterey Mushrooms LLC	Watsonville	Mushrooms
North County Mental Health	Santa Cruz	Government Offices-County
Operations Department	Santa Cruz	Transit Lines
Plantronics Inc.	Santa Cruz	Telephone & Telegraph Apparatus (mfrs)
Safeway	Soquel	Grocers-Retail
Salud Para La Gente	Watsonville	Clinics
Santa Cruz County Sheriff	Santa Cruz	Government Offices-County
Santa Cruz Governmental Ctr	Santa Cruz	Government Offices-County
Santa Cruz Health Ctr	Santa Cruz	Clinics
Santa Cruz Metro	Santa Cruz	Bus Lines
Source Naturals	Scotts Valley	Vitamin Products-Manufacturers
University of CA Santa Cruz	Santa Cruz	Schools-Universities & Colleges Academic
Watsonville City Sewer Dept	Watsonville	City Government-Regulation & Administration-C

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

Commercial Activity

Summaries of taxable sales in the City of Santa Cruz and the County in recent years are shown in the following table.

COUNTY OF SANTA CRUZ
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions (shown in thousands of dollars)

	Retail & Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	6,207	$2,761,422,698	9,854	$3,648,394,423
2017	6,224	2,890,520,485	10,001	3,812,090,169
2018	6,153	2,977,266,606	10,241	3,878,851,333
2019	6,159	2,987,680,473	10,542	3,980,843,204
2020	6,397	2,988,563,526	11,095	3,965,759,547
2021	5,566	3,433,758,812	9,801	4,575,986,078
2022	5,587	3,592,319,157	10,007	4,846,272,318
2023	5,264	3,627,341,068	9,524	4,866,535,909

Source: California Department of Tax and Fee Administration, Taxable Sales in California (Sales & Use Tax).

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Construction Activity

Building permits and valuations in the County for the past five years for which data is available are shown in the following table.

COUNTY OF SANTA CRUZ
Total Building Permit Valuations
(Valuations in Thousands)

	2019	2020	2021	2022	2023
Permit Valuation					
New Single-family	$ 47,986.3	$26,997.0	$54,239.7	$80,812.9	$54,170.6
New Multi-family	27,676.7	813.7	823.8	30,723.4	8,066.4
Res. Alterations/Additions	31,453.2	23,111.0	21,728.8	31,612.9	29,942.5
Total Residential	$107,116.2	$50,921.7	$76,792.3	$143,149.2	$92,179.5
New Commercial	$15,643.4	$ 3,852.4	$3,552.4	$30,501.0	$1,004.4
New Industrial	619.8	0	0	0	0
New Other	8,137.7	2,898.2	3,475.9	766.0	37,448.6
Com. Alterations/Additions	41,089.3	7,209.5	17,733.0	4,216.9	48,241.1
Total Nonresidential	$65,481.2	$13,960.1	$24,761.3	$35,483.9	$86,694.1
New Dwelling Units					
Single Family	215	151	230	362	245
Multiple Family	76	8	15	150	83
Total New Dwelling Units	291	159	235	512	328

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX C

SANTA CRUZ CITY SCHOOLS AUDIT REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2023

SANTA CRUZ CITY SCHOOLS

FINANCIAL STATEMENTS
June 30, 2023

SANTA CRUZ CITY SCHOOLS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year ended June 30, 2023

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SANTA CRUZ CITY SCHOOLS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Santa Cruz City Schools
Santa Cruz, 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 Santa Cruz City Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Santa Cruz City Schools' 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 Santa Cruz City Schools, as of June 30, 2023, and the respective changes in financial position 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Cruz City Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Cruz City Schools' 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.

(Continued)

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 Santa Cruz City Schools' 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 Santa Cruz City Schools' 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 on pages 4 to 10 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 47 to 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Cruz City Schools' basic financial statements. The accompanying 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* and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2024 on our consideration of Santa Cruz City Schools' 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 Santa Cruz City Schools' 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 Santa Cruz City Schools' internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
January 25, 2024

This section of Santa Cruz City Schools' annual financial report presents an of the District's financial performance during the fiscal year that ended on June 30, 2023. 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), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 with regard to interfund activity, payables and receivables.

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

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

The *Fiduciary Activities* report a balance sheet, a statement of change in fiduciary net position for the scholarship fund and do not have a measurement focus.

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 Santa Cruz City Schools.

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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 are one indicator of whether its *financial health* 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 *net income.* 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 important components in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities,* the District activities are reported as follows:

Governmental Activities – The District reports all of its services in this category. This includes the education of 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 service 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, such as our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in separate *Statement of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- The District's total net position increased from $19,637,141 to $38,489,985.
- On the Statement of Activities, total revenues were more than total expenditures by $18,852,844.
- Capital assets, net of depreciation, increased $2,183,316. This increase was primarily driven by expenditures associated with Bond Measures A and B.
- Total long-term liabilities increased $18,305,323. This is net of a decrease in the proportionate share of the District's net pension liability and an increases associated with repayment of General Obligation Bonds (See Notes 5, 7, and 8).
- The District maintains sufficient reserves for a district its size. It meets the State required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2022-23, total General Fund expenditures and other financing uses totaled $109,465,601 At June 30, 2023, the District's available reserves of $17,831,599 in the General Fund equate to a 16.29% reserve.

Net Position

The District's net position increased from $19,637,141 at June 30, 2022 by $18,852,844, to $38,489,985 at June 30, 2023.

	Governmental Activities		
	2023	2022	Net Change
Assets			
Current and other assets	$ 145,837,642	$ 140,299,392	$ 5,538,250
Capital assets	219,010,827	216,827,511	2,183,316
Total Assets	364,848,469	357,126,903	7,721,566
Deferred outflows of resources	27,965,981	19,398,780	8,567,201
Liabilities			
Current Liabilities	16,177,185	14,304,591	1,872,594
Long-term obligations	322,724,178	304,418,855	18,305,323
Total Liabilities	338,901,363	318,723,446	20,177,917
Deferred inflows of resources	15,423,102	38,165,096	(22,741,994)
Net Position			
Net invested in capital assets	44,163,230	44,585,849	(422,619)
Restricted	33,441,707	35,984,429	(2,542,722)
Unrestricted	(39,114,952)	(60,933,137)	21,818,185
Total Net Position	$ 38,489,985	$ 19,637,141	$ 18,852,844

Change Net Position

District change in net position increased relative $6,481,853 during the 2022-2023 fiscal year. Revenues, expenditures, and relative changes are presented below:

Governmental Activites	2023	2022	Net Change
Revenues			
Program revenues:			
Charges for services	$ 1,781,327	$ 1,122,221	$ 659,106
Operating and capital grants and contributions	33,056,182	19,940,437	13,115,745
General revenue:			
Federal and State aid not restricted	15,454,992	12,424,785	3,030,207
Property taxes	97,544,297	89,760,041	7,784,256
Other general revenues	845,856	(469,170)	1,315,026
Total Revenues	148,682,654	122,778,314	25,904,340
Expenses			
Instruction-related	69,884,802	63,678,645	6,206,157
Student support services	15,051,252	12,124,168	2,927,084
Administration	6,974,319	5,570,046	1,404,273
Maintenance and operations	18,220,125	14,532,448	3,687,677
Other	19,699,312	14,502,016	5,197,296
Total Expenses	129,829,810	110,407,323	19,422,487
Change in Net Position	$ 18,852,844	$ 12,370,991	$ 6,481,853

Program revenues financed 23% of the total cost of providing the services listed above, while the remaining 77% was financed by the general revenues of the District.

Capital Assets

Capital assets, net of depreciation increased $2,183,316.

	Governmental Activities		
	2023	2022	Net Change
Land and construction in progress	$ 47,029,803	$ 41,198,679	$ 5,831,124
Buildings and improvements	160,795,446	160,416,148	379,298
Equipment	11,185,578	15,212,684	(4,027,106)
	$ 219,010,827	$ 216,827,511	$ 2,183,316

Long -Term Liabilities

Total long-term liabilities increased by $18,305,323.

	Governmental Activities		
	2023	2022	Net Change
Bonds	$ 208,223,000	$ 216,334,643	$ (8,111,643)
Bond premium	13,515,926	14,381,018	(865,092)
Accreted interest	2,374,138	2,962,402	(588,264)
COP's	580,000	720,000	(140,000)
Lease Liabilities	6,033,042	6,685,628	(652,586)
Compensated absences	85,870	85,674	196
OPEB	18,882,202	20,439,490	(1,557,288)
Pension Liability	73,030,000	42,810,000	30,220,000
Total	**$ 322,724,178**	**$ 304,418,855**	**$ 18,305,323**

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts and future debt retirement dates.

GENERAL FUND BUDGETA RY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim.

In 2022-23, Santa Cruz City Schools (SCCS) continued to focus on student academic success and well-being. Staff planned and used additional COVID resources to fund our multi-tiered systems of support to address students' academic and social-emotional needs. In addition, SCCS has worked strategically to support students who are struggling to attend school regularly. Consequently, positive attendance returned at a rate of 92%.

In addition, SCCS expanded the extended learning opportunities for our students with after school programs that included academic support and enrichment. In addition, the State required an additional thirty (30) days of summer instruction be offered to our unduplicated count students. The District accomplished this in partnership with the Boys and Girls Club this past summer. These programs were funded with restricted dollars from the California budget.

The 2022-23 school year was the second to last year of budgets that were created using the Elementary and Secondary Schools Emergency Relief (ESSER) funds. SCCS continued to use these expiring funds to assist with increased services such as Response to Intervention (RtI) instructors in Math at our elementary schools and Social Emotional Counselors in all of our secondary schools. Along with these additional services, SCCS continued to meet staffing needs in both the certificated and classified ranks, in spite of being noted as one of the most expensive places to live in California.

To maximize COVID relief resources, staff used 2022-23 to begin the descent of the dollars available for additional services. Staff met throughout the year to review staffing levels, how each employee was funded and continued to prepare for the reduction of these one-time dollars in 2023-24. Staff worked to prioritize the services that assisted students reach academic success. In the case of SCCS, an additional 80 budget reports were filed with the State in 2022-23 showing the utilization of these funds.

It is also noteworthy that SCCS continued to increase the number of meals served to our students and expanded our farm to table offerings with local farms and suppliers.

Santa Cruz City Schools is proud of the educational programs we provided for our students, families, and staff during the 2022-23 school year.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

With the Local Control Funding Formula (LCFF), calculating entitlements is now becoming routine; however each district addresses its risk factors when developing budget priorities and building multiyear projections. We have developed a Local Control Accountability Plan (LCAP) that is tied directly to our budget and the Eight State priorities that involves our stakeholders in this process. High populations of English Learners, Foster Youth and low-income students are primary factors in the computation of any additional funding for public schools in the state of California. The calculation involving the groups adds a level of complexity to revenue forecasting that began with the advent of the LCFF.

The future will continue to require that the SCCS administration plan carefully and prudently to provide the resources to meet our students' needs while accounting for the uncertainty from the State. Santa Cruz City Schools has pivoted with the state as we saw the recreation of "categorical" programs with one-time budgets and preparation of future budgets with slower growth projected from California tax revenue.

GOVERNMENT FUNDS

At June 30, 2023 the District's combined governmental funds reported an ending fund balance of $132,933,019, an increase of $4,282,980 in comparison to the prior fiscal year.

	Governmental Funds - Fund Balance		
	2023	2022	Net Change
General	$ 47,819,036	$ 34,720,254	$ 13,098,783
Building	53,238,793	65,569,785	(12,330,992)
Bond Interest and Redemption	14,183,000	14,415,619	(232,619)
Student Activities	598,561	625,986	(27,425)
Adult Education	47,607	48,594	(988)
Cafeteria	1,745,618	485,214	1,260,404
Deferred Maintenance	95,676	94,450	1,226
Capital Facilities	2,227,317	1,288,363	938,955
Debt Service	453,108	452,880	227
Special Reserve for Capital Outlay Projects	12,524,303	10,948,893	1,575,409
Total	**$ 132,933,019**	**$ 128,650,038**	**$ 4,282,980**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Santa Cruz City Schools, at 133 Mission Street Suite 100, Santa Cruz, CA 95060.

BASIC FINANCIAL STATEMENTS

SANTA CRUZ CITY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2023

ASSETS	
Cash and investments (Note 2)	$ 137,531,297
Receivables	8,237,532
Stores inventory	68,813
Non-depreciable capital assets (Note 4)	47,029,803
Depreciable capital assets, net of accumulated depreciation and amortization (Note 4)	171,981,024
Total assets	364,848,469
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	24,863,042
Deferred outflows of resources - OPEB (Note 9)	2,837,361
Deferred loss from refunding of debt	265,578
Total deferred outflows of resources	27,965,981
LIABILITIES	
Accounts payable	13,283,085
Unearned revenue	2,894,100
Long-term liabilities (Note 5):	
Due within one year	10,807,358
Due after one year	311,916,820
Total liabilities	338,901,363
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	12,782,000
Deferred inflows of resources - OPEB (Note 9)	2,641,102
Total deferred inflows of recources	15,423,102
NET POSITION	
Net investment in capital assets	44,163,230
Restricted	
Legally restricted programs	16,578,282
Capital projects	2,227,317
Debt service	14,636,108
Unrestricted	(39,114,952)
Total net position	$ 38,489,985

See accompanying notes to financial statements.

SANTA CRUZ CITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Position: Governmental Activities
Governmental activities					
Instruction	$ 56,258,944	$ 59,162	$ 16,449,567	$ -	$ (39,750,215)
Instruction-related services					
Supervision of instruction	4,129,901	12,211	1,516,845	-	(2,600,845)
Instructional library, media and technology	2,706,403	2,838	423,097	-	(2,280,468)
School site administration	6,789,554	3,558	653,930	-	(6,132,066)
Pupil services					
Home-to-school transportation	1,790,708	9,267	102,383	-	(1,679,058)
Food services	3,209,649	141,794	3,724,295	-	656,440
All other pupil services	10,050,895	8,371	3,383,193	-	(6,659,331)
General administration:					
Data processing	1,432,145	45	87,462	-	(1,344,638)
All other general administration	5,542,174	8,911	1,337,193	-	(4,196,070)
Plant services	14,843,687	71,003	629,999	-	(14,142,685)
Ancillary services	3,005,559	3,815	1,041,666	-	(1,960,078)
Enterprise activities	370,879	188	298,716	-	(71,975)
Interest on long-term liabilities	7,250,187	-	-	-	(7,250,187)
Other outgo	17,141	1,460,164	3,407,836	-	4,850,859
Depreciation and amortization (Note 4)	12,431,984	-	-	-	(12,431,984)
Total governmental activities	$ 129,829,810	$ 1,781,327	$ 33,056,182	$ -	(94,992,301)

General revenues	
Taxes and subventions	
Taxes levied for general purposes	69,038,497
Taxes levied for debt service	15,641,390
Taxes levied for other specific purposes	12,864,410
Federal and state aid not restricted to specific purposes	15,454,992
Interest and investment earnings	455,548
Miscellaneous	390,308
Total general revenues	113,845,145
Change in net position	18,852,844
Net position July 1, 2022	19,637,141
Net position, June 30, 2023	$ 38,489,985

See accompanying notes to financial statements.

SANTA CRUZ CITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments					
Cash in county treasury	$ 52,151,018	$ 53,539,258	$ 14,183,000	$ 16,524,166	$ 136,397,442
Cash with fiscal agent	-	-	-	439,344	439,344
Cash on hand and in banks	50,003	-	-	604,403	654,406
Cash in revolving fund	40,000	-	-	-	40,000
Cash awaiting deposit	105	-	-	-	105
Receivables	7,743,509	-	-	494,023	8,237,532
Stores inventory	28,878	-	-	39,935	68,813
Total assets	$ 60,013,513	$ 53,539,258	$ 14,183,000	$ 18,101,871	$ 145,837,642
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 9,362,093	$ 300,465	$ -	$ 347,965	$ 10,010,523
Unearned revenue	2,832,384	-	-	61,716	2,894,100
Total liabilities	12,194,477	300,465	-	409,681	12,904,623
Fund balances					
Nonspendable	68,878	-	-	39,935	108,813
Restricted	14,226,431	53,238,793	14,183,000	17,652,255	99,300,479
Assigned	12,277,506	-	-	-	12,277,506
Unassigned	21,246,221	-	-	-	21,246,221
Total fund balances	47,819,036	53,238,793	14,183,000	17,692,190	132,933,019
Total liabilities and fund balances	$ 60,013,513	$ 53,539,258	$ 14,183,000	$ 18,101,871	$ 145,837,642

See accompanying notes to financial statements.

SANTA CRUZ CITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - Governmental Funds		$ 132,933,019
Amounts reported for governmental activities in the statement of position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $354,472,065 and the accumulated depreciation is $135,461,238 (Note 4).		219,010,827
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2023 consisted of (Note 5):		
General Obligation Bonds	$ (208,223,000)	
Accreted interest	(2,374,138)	
Unamortized premiums	(13,515,926)	
Certificates of Participation	(580,000)	
Lease liabilities	(6,033,042)	
Total OPEB liability (Note 9)	(18,882,202)	
Net pension liability (Notes 7 and 8)	(73,030,000)	
Compensated absences	(85,870)	
		(322,724,178)
In governmental funds, advanced debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is recognized in the period they are incurred. In the government-wide statements, the amount is deferred and amortized.		265,578
In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported (Notes 7 and 8).		
Deferred outflows of resources relating to pensions	$ 24,863,042	
Deferred inflows of resources relating to pensions	(12,782,000)	
Deferred outflows of resources relating to OPEB	2,837,361	
Deferred inflows of resources relating to OPEB	(2,641,102)	
		12,277,301
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(3,272,562)
Total net position - governmental activities		$ 38,489,985

See accompanying notes to financial statements.

SANTA CRUZ CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)					
State apportionment	$ 17,396,172	$ -	$ -	$ -	$ 17,396,172
Local sources	64,960,957	-	-	-	64,960,957
Total LCFF	82,357,129	-	-	-	82,357,129
Federal sources	8,087,101	-	-	1,402,957	9,490,058
Other state sources	18,164,847	-	63,069	2,401,524	20,629,440
Other local sources	11,455,306	1,231,591	15,745,816	8,790,315	37,223,028
Total revenues	120,064,383	1,231,591	15,808,885	12,594,796	149,699,655
Expenditures					
Current:					
Certificated salaries	43,379,535	-	-	-	43,379,535
Classified salaries	17,656,960	301,485	-	1,200,317	19,158,762
Employee benefits	28,809,865	146,793	-	716,769	29,673,427
Books and supplies	3,354,398	207,017	-	2,126,338	5,687,753
Contract services and operating expenditures	15,670,014	61,998	-	211,057	15,943,069
Other outgo	17,141	-	-	-	17,141
Capital outlay	577,688	12,845,290	-	1,192,321	14,615,299
Debt service					
Principal retirement	-	-	8,111,643	792,586	8,904,229
Interest	-	-	7,929,861	107,598	8,037,459
Total expenditures	109,465,601	13,562,583	16,041,504	6,346,986	145,416,674
Excess (deficiency) of revenues over (under) expenditures	10,598,782	(12,330,992)	(232,619)	6,247,810	4,282,981
Other financing sources (uses)					
Transfers in	2,500,000	-	-	150,942	2,650,942
Transfers out	-	-	-	(2,650,942)	(2,650,942)
Total other financing sources (uses)	2,500,000	-	-	(2,500,000)	-
Net change in fund balances	13,098,782	(12,330,992)	(232,619)	3,747,810	4,282,981
Fund balances, July 1, 2022	34,720,254	65,569,785	14,415,619	13,944,380	128,650,038
Fund balances, June 30, 2023	$ 47,819,036	$ 53,238,793	$ 14,183,000	$ 17,692,190	$ 132,933,019

See accompanying notes to financial statements.

SANTA CRUZ CITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - Total Governmental Funds		$ 4,282,981
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	$ 14,615,300	
Depreciation and amortization of capital assets and lease assets are expenses which are not recorded in the governmental funds (Note 4).	(12,431,984)	
In governmental funds, current debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is recognized in the period they are incurred. In the government-wide statements, the amount is deferred and amortized.	(44,264)	
Debt issued at a premium is recognized as an other financing source in the governmental funds, but the premium is amortized as interest in the statement of net position (Note 5).	865,092	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	8,904,229	
Accreted interest is an expense that is not recognized in the governmental funds (Note 5).	588,264	
Interest on long-term liabilities is recognized in the period incurred, in governmental funds it is recognized when due.	(617,325)	
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities OPEB costs are recognized on the accrual basis (Notes 5 and 9). (Notes 5 and 9).	(1,336,450)	
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities pension costs are recognized on the accrual basis (Notes 5, 7 and 8).	4,027,197	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(196)	14,569,863
Change in net position of governmental activities		$ 18,852,844

See accompanying notes to financial statements.

SANTA CRUZ CITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2023

	Foundation Private-Purpose Trust Fund
ASSETS	
Cash and investments (Note 2)	
Cash in County Treasury	$ 1,516,101
Investments	413,453
Accounts Receivable	3,001
Total assets	1,932,555
NET POSITION	
Restricted - scholarships	$ 1,932,555

See accompanying notes to financial statements.

SANTA CRUZ CITY SCHOOLS
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
CUSTODIAL FUND
For the Year Ended June 30, 2023

	Foundation Private-Purpose Trust Fund
Revenues	
Other local sources	$ 41,733
Expenditures	
Contract services and operating expenditures	19,154
Change in net position	22,579
Net position, July 1, 2022	1,909,976
Net position, June 30, 2023	$ 1,932,555

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Santa Cruz City Schools accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: Santa Cruz City Schools (the "District") is a consolidation of Santa Cruz City High School District and Santa Cruz City Elementary School District. The Districts have not unified but are consolidated due to the fact that the Districts share a common governing board. These two entities are referred to collectively as Santa Cruz City Schools, and for purposes of these financial statements, will be referred to collectively as the District.

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in Santa Cruz City Schools. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District's Board of Education formed a non-profit public benefit corporation known as the Santa Cruz City Schools Financing Authority ("Authority"). The District and the Authority have a financial and operational relationship which meet the reporting entity definition criteria of *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of Corporation as a blended component unit of the District. Therefore, the financial activities of Authority have been included in the Debt Service Fund in the financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District and Authority which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended by criteria:

A - Manifestations of Oversight

1. The Authority's Board of Directors were appointed by the District's Board of Education.
2. The Authority has no employees. The District's Superintendent functions as an agent of the Corporation. The individual did not receive additional compensation for work performed in this capacity.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Authority must have the consent of the District.
2. Any deficits incurred by the Authority will be reflected in the lease payments of the District. Any surpluses of the Authority revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Authority.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Authority was created for the sole purpose of financially assisting the District.
2. The Authority's financial activity is presented in the financial statements in the Debt Service Fund. Certificates of Participation issued by the Authority are included in the government-wide financial statements.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations; financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Custodial funds are not included in the government-wide financial statements. Custodial funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation and interest on general long-term liabilities are considered an indirect expense and are reported separately on the Statement of Activities.

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

A - Major Funds

General Fund: The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year-end balance of the Special Reserve for Postemployment Benefits Fund is combined with the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building Fund: The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

Bond Interest and Redemption Fund: The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

B - Other Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This includes the Student Activity, Adult Education, Cafeteria and Deferred Maintenance Funds.

Capital Project Funds are used account for resources which are used for the acquisition or construction of major capital facilities and purchase of equipment by the District. This includes the Capital Facilities and Special Reserve for Capital Outlay Projects Funds.

The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt issued through the Authority.

The Scholarship Trust Fund is a Custodial Fund for which the District acts as a trustee. The Scholarship Trust includes all cash activity and assets of the District's scholarship activities, managed by others.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible in the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2023.

Stores Inventory: Inventory in the General Fund and Cafeteria Fund are stated at cost (average cost) which does not exceed replacement cost. Inventory consists of expendable supplies held for future use in the following period by the District's operating units, transportation supplies, and food held for consumption. Maintenance and other supplies held for physical plant repair are not included in inventory; rather, these amounts are recorded as expenditures when purchased.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of long-term debt. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized deferred outflows of resources related to the recognition of the net pension liability and total OPEB liability.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized deferred inflows of resources related to the recognition of the net pension liability and total OPEB liability.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value.

	STRP	PERF B	Total
Deferred outflows of resources	$ 12,712,347	$ 12,150,695	$ 24,863,042
Deferred inflows of resources	$ 11,641,000	$ 1,141,000	$ 12,782,000
Net pension liability	$ 40,747,000	$ 32,283,000	$ 73,030,000
Pension expense	$ 5,809,027	$ 4,749,984	$ 10,559,011

Leases: From time to time, the District may enter into agreements as a lessee for leases of buildings or equipment for District use. Upon entering into a lease agreement as lessee, the District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual total liability of $50,000 or more.

At the commencement of a lease, the District initially 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, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and the lease liability is reported with long-term liabilities, on the statement of net position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences: Compensated absences benefits totaling $85,870 are recorded as a liability of the District.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable. However, unused sick leave is added to the creditable service period for calculation of retirement benefits for vested STRS and CalPERS employees, when the employee retires.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1 - *Net Investment in Capital Assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2 - *Restricted Net Position* - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for scholarships represents the portion of net position restricted for scholarships. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance: The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

B - Restricted Fund Balance: The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Committed Fund Balance: The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2023, the District had no committed fund balances.

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate District personnel with the authority to assign fund balances. As of June 30, 2023 no such designation has occurred.

E - Unassigned Fund Balance: In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2023, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Santa Cruz bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB No. 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. There was no impact to the District's July 1, 2022 net position as a result of the implementation of GASB Statement No. 96.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

	Governmental Activities	Fiduciary Fund
Pooled Funds		
Cash in County Treasury	$ 136,397,442	$ 1,516,101
Collections awaiting deposit	105	-
Deposits		
Cash on hand and in banks	654,406	-
Revolving cash fund	40,000	-
Investments		
Cash with fiscal agent	439,344	-
Investments	-	413,453
Total cash and cash equivalents	$ 137,531,297	$ 1,929,554

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Santa Cruz County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the 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.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2023, the carrying amount of the District's accounts were $694,406 and the bank balances were $666,498, $372,701 of which was insured by the FDIC.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for capital projects in the Building Fund. The District holds their funds with the Santa Cruz County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investments: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District has the following recurring fair value measurements as of June 30, 2023:

1. Stocks of $3,797 are valued using quoted market prices (Level 1 inputs).
2. Mutual funds of $409,656 are valued using a matrix pricing model (Level 2 inputs).

Investment Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District had no significant interest rate risk related to cash and investments held.

Investment Credit Risk: The District has adopted the County Treasurer's formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Investment Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District had no concentration of investment credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: There were no individual fund interfund receivable and payable balances at June 30, 2023.

Interfund Transfers: Interfund transfers for the 2022-23 fiscal year were as follows:

Transfer from the Special Reserve for Capital Outlay Projects Fund to the General Fund for the routine restricted maintenance account contribution.	$ 2,500,000
Transfer from the Special Reserve Fund for Capital Outlay Projects to the Debt Service Fund for the purpose of separately maintaining funds held for debt service of the Certificates of Participation.	150,942
	$ 2,650,942

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2023 is shown below:

	Balance July 1, 2022	Transfers and Additions	Transfers and Deletions	Balance June 30, 2023
Non-depreciable				
Land	$ 1,129,958	$ -	$ -	$ 1,129,958
Work In Progress	40,068,721	9,623,819	(3,792,695)	45,899,845
Depreciable				
Land improvements	38,856,414	13,390	-	38,869,804
Buildings	232,996,750	8,111,623	-	241,108,373
Equipment	20,119,294	659,163	-	20,778,457
Totals, at cost	333,171,137	18,407,995	(3,792,695)	347,786,437
Less accumulated depreciation				
Improvement of sites	(25,778,159)	(1,473,834)	-	(27,251,993)
Buildings	(85,658,857)	(6,271,881)	-	(91,930,738)
Equipment	(11,592,238)	(3,937,027)	-	(15,529,265)
Total accumulated depreciation	(123,029,254)	(11,682,742)	-	(134,711,996)
Lease assets				
Equipment	6,685,628	-	-	6,685,628
Accumulated lease amortization				
Equipment	-	(749,242)	-	(749,242)
Lease assets, net	6,685,628	(749,242)	-	5,936,386
Capital assets, net	$ 216,827,511	$ 5,976,011	$ (3,792,695)	$ 219,010,827

Depreciation and amortization expense was charged to governmental activities for the year ended June 30, 2023 as follows:

Unallocated	$ 12,431,984

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On October 9, 2001, Santa Cruz City High School District issued $11,997,433 of Capital Appreciation General Obligation Bonds, Election of 1998, Series C, to raise money for the cost of acquisition, and construction of facilities and improvements. The bonds mature in varying amounts during the succeeding years through February 1, 2026, with interest rates ranging from 2.4% to 5.4%.

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

On October 9, 2001, Santa Cruz City Elementary School District issued $5,598,115 of Capital Appreciation General Obligation Bonds, Election of 1998, Series C, to raise money for the cost of acquisition, construction, and equipping of certain facilities and improvements. The bonds mature serially in varying amounts during the succeeding years through February 1, 2026, with interest rates ranging from 2.4% to 5.35%.

On April 23, 2013, Santa Cruz City High School District issued 2013 General Obligation Refunding Bonds, in the amount of $34,350,000 to partially refund the 2005 General Obligation Refunding Bonds issuances. The Refunding Bonds mature serially in varying amounts during the succeeding years through August 1, 2029, with interest rates ranging from 2.6% to 4.24%.

On April 23, 2013, Santa Cruz City Elementary School District issued 2013 General Obligation Refunding Bonds, in the amount of $17,195,000 to partially refund the 2005 General Obligation Refunding Bonds issuance. The Refunding Bonds mature serially in varying amounts during the succeeding years through August 1, 2029, with interest rates ranging from 2.6% to 4.24%.

On February 23, 2017, Santa Cruz City High School District issued Election of 2016, Series A General Obligation Bonds in the amount of $56,000,000 to financing the renovation, construction and improvement of school facilities. The bonds mature serially in varying amounts during the succeeding years through August 2042, with interest rates ranging from 3.0% to 5.0%.

On February 23, 2017, Santa Cruz City Elementary School District issued Election of 2016, Series A General Obligation Bonds in the amount of $27,200,000 to financing the renovation, construction and improvement of school facilities. The bonds mature serially in varying amounts during the succeeding years through August 2042, with interest rates ranging from 3.0% to 5.0%.

On July 30, 2019, Santa Cruz City High School District issued Election of 2016, Series B General Obligation Bonds in the amount of $42,000,000 to financing the renovation, construction and improvement of school facilities. The bonds mature serially in varying amounts during the succeeding years through August 2045, with interest rates ranging from 3.0% to 5.0%.

On July 30, 2019, Santa Cruz City Elementary School District issued Election of 2016, Series B General Obligation Bonds in the amount of $20,400,000 to financing the renovation, construction and improvement of school facilities. The bonds mature serially in varying amounts during the succeeding years through August 2045, with interest rates ranging from 3.0% to 5.0%.

On November 4, 2021, Santa Cruz City High School District issued Election of 2016, Series C General Obligation Bonds in the amount of $42,000,000 to financing the renovation, construction and improvement of school facilities. The bonds mature serially in varying amounts during the succeeding years through August 2040, with interest rates ranging from 2.0% to 4.0%.

On November 4, 2021, Santa Cruz City Elementary School District issued Election of 2016, Series C General Obligation Bonds in the amount of $20,400,000 to financing the renovation, construction and improvement of school facilities. The bonds mature serially in varying amounts during the succeeding years through August 2036, with interest rates ranging from 2.0% to 3.0%.

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

A summary of General Obligations Bonds payable as of June 30, 2023 follows.

Series	Interest Rate %	Original Fiscal Year Maturity	Balance July 1, 2022	Current Year Issued	Current Year Matured	Balance June 30, 2023
Santa Cruz City High School District						
1998 Series C	2.4% - 5.4%	2026	$ 1,023,366	$ -	$ 276,635	$ 746,731
2013 Refunding	2.6% - 4.24%	2030	19,565,000	-	2,135,000	17,430,000
2016 Series A	3.0% - 5.0%	2043	20,915,000	-	705,000	20,210,000
2016 Series B	3.0% - 5.0%	2046	40,070,000	-	1,440,000	38,630,000
2016 Series C	2.0% - 4.0%	2041	42,000,000	-	-	42,000,000
Santa Cruz City Elementary School District						
1998 Series C	2.4% - 5.35%	2026	481,277	-	130,008	351,269
2013 Refunding	2.6% - 4.24%	2030	9,785,000	-	1,070,000	8,715,000
2016 Series A	3.0% - 5.0%	2043	42,585,000	-	1,620,000	40,965,000
2016 Series B	3.0% - 5.0%	2046	19,510,000	-	735,000	18,775,000
2016 Series C	2.0% - 3.0%	2037	20,400,000	-	-	20,400,000
Total			$ 216,334,643	$ -	$ 8,111,643	$ 208,223,000

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2024	$ 8,195,607	$ 7,657,656	$ 15,853,263
2025	8,270,660	7,336,055	15,606,715
2026	8,901,733	7,022,780	15,924,513
2027	9,165,000	5,756,613	14,921,613
2028	9,790,000	5,396,862	15,186,862
2029-2033	46,515,000	21,764,880	68,279,880
2034-2038	50,885,000	14,805,827	65,690,827
2039-2043	52,345,000	7,239,943	59,584,943
2044-2046	14,155,000	869,250	15,024,250
	$ 208,223,000	$ 77,849,866	$ 286,072,866

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs): In 2010, the District issued $2,346,000 in Certificates of Participation (COPs) for the purpose of providing funds for the acquisition, construction, installation, modernization and equipping of improvements to certain educational facilities. The District is required to make payments of principal and interest in conjunction with these Certificates of Participation. Interest and principal amounts are due each May 1 beginning in 2016 and ending in 2027. Interest rates range from 5.17% to 7.26%. Scheduled payments for the COPs are as follows:

Year Ending June 30,	COPs Payments
2024	$ 181,038
2025	176,364
2026	166,200
2027	160,890
Total payments	684,492
Less amount representing interest	(104,492)
Net present value of minimum payments	$ 580,000

Lease Liabilities: In 2022, the District entered into a lease agreement for Solar and HVAC improvements within the District. The agreement includes a stated interest rate of 1.548% per annum which semi-annual payments maturing through February 1, 2032. Scheduled payments for the lease are as follows:

Year Ending June 30,	Lease Payments
2024	$ 724,148
2025	724,148
2026	724,148
2027	724,148
2028	724,148
2029-2032	2,896,591
Total payments	6,517,331
Less amount representing interest	(484,289)
Net present value of minimum payments	$ 6,033,042

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2023 is shown below:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Debt					
General Obligation Bonds	$ 216,334,643	$ -	$ 8,111,643	$ 208,223,000	$ 8,195,607
Accreted interest	2,962,402	265,092	853,356	2,374,138	874,393
Unamortized premiums	14,381,018	-	865,092	13,515,926	881,544
Certificates of Participation	720,000	-	140,000	580,000	140,000
Lease liabilities	6,685,628	-	652,586	6,033,042	629,944
Other long-term liabilities					
Total OPEB liability (Note 9)	20,439,490	-	1,557,288	18,882,202	-
Net pension liability (Notes 7 and 8)	42,810,000	30,220,000	-	73,030,000	-
Compensated absences	85,674	196	-	85,870	85,870
Totals	$ 304,418,855	$ 30,485,288	$ 12,179,965	$ 322,724,178	$ 10,807,358

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service Fund. Payments on the lease liability are made from the Special Reserve for Capital Outlay Projects Fund. Payments for the total OPEB liability, net pension liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2023 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Nonspendable					
Revolving cash fund	$ 40,000	$ -	$ -	$ -	$ 40,000
Stores inventory	28,878	-	-	39,935	68,813
Subtotal nonspendable	68,878	-	-	39,935	108,813
Restricted:					
Legally restricted					
Grants	14,226,431	-	-	-	14,226,431
Student activities	-	-	-	598,561	598,561
Adult education	-	-	-	47,607	47,607
Cafeteria operations	-	-	-	1,705,683	1,705,683
Deferred maintenance	-	-	-	95,676	95,676
Capital projects	-	53,238,793	-	14,751,620	67,990,413
Debt service	-	-	14,183,000	453,108	14,636,108
Subtotal restricted	14,226,431	53,238,793	14,183,000	17,652,255	99,300,479
Assigned					
Reserve for employment costs FY2024-2026	8,046,683	-	-	-	8,046,683
LCFF Supplemental carryover	2,269,505	-	-	-	2,269,505
Postemployment benefits	1,961,318	-	-	-	1,961,318
Subtotal assigned	12,277,506	-	-	-	12,277,506
Unassigned					
Designated for economic uncertainty	3,414,622	-	-	-	3,414,622
Undesignated	17,831,599	-	-	-	17,831,599
Subtotal unassigned	21,246,221	-	-	-	21,246,221
Total	$ 47,819,036	$ 53,238,793	$ 14,183,000	$ 17,692,190	$ 132,933,019

(Continued)

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60 - CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for any 36 consecutive months of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

(Continued)

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation"), were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, SB 90 and SB84, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year January 25, 2024. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2022.

Under CalSTRS 2% at 62, members pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021 valuation adopted by the CalSTRS board in May 2022, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2022.

Employers – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

The CalSTRS employer contribution rates effective for fiscal year 2022-2023 through fiscal year 2046-47 are summarized in the table below:

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	Total
July 1, 2022	8.250%	10.850%	19.100%
July 1, 2023 to June 30, 2046	8.250%	(1)	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47	

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed $7,802,347 to the plan for the fiscal year ended June 30, 2023.

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022–23 for a total contribution rate of 10.828%.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2021-22. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the "Rainy-Day Budget Stabilization Fund Act", which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2021–22, CalSTRS received $410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of $173.7 million from the General Fund in fiscal year 2021–22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21.

The CalSTRS state contribution rates effective for fiscal year 2022-23 and beyond are summarized in the table below.

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	SBMA Funding(1)	Total
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

(1) The SBMA contribution rate excludes the $72 million that is reduced from the required contribution in accordance with Education Code section 22954.
(2) The CalSTRS board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
(3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 40,747,000
State's proportionate share of the net pension liability associated with the District	23,031,000
Total	$ 63,778,000

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2022, the District's proportion was 0.059 percent, which was an increase of 0.004 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $5,809,027 and revenue of $3,695,170 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 33,000	$ 3,055,000
Changes of assumptions	2,021,000	-
Net differences between projected and actual earnings on	-	1,993,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,856,000	6,593,000
Contributions made subsequent to measurement date	7,802,347	-
Total	$ 12,712,347	$ 11,641,000

$7,802,347 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year Ending June 30,	
2024	$ (972,300)
2025	$ (3,069,300)
2026	$ (3,791,300)
2027	$ 2,056,366
2028	$ (1,181,633)
2029	$ 227,167

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 . The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the 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 the total pension liability.

Mortality: 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 percent 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 investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 69,203,000	$ 40,747,000	$ 17,120,000

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

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non- certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at: https://www.calpers.ca.gov/docs/forms-publications/acfr-2022.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when district's first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2023-2024.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings.

The District contributed $4,105,695 to the plan for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $32,283,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2022 the District's proportion was 0.094 percent, which was an increase of 0.07 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $4,749,984. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 146,000	$ 803,000
Changes of assumptions	2,388,000	-
Net differences between projected and actual earnings	3,812,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,699,000	338,000
Contributions made subsequent to measurement date	4,105,695	-
Total	$ 12,150,695	$ 1,141,000

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

$4,105,695 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2024	$ 1,825,584
2025	$ 1,422,583
2026	$ 1,331,083
2027	$ 2,324,750

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	June 30, 2000 through June 30, 2019
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Asset Class	Assumed Asset Allocation	Expected Real Rates of Return Years 1-10 (1, 2)
Global Equity – cap-weighted	30.00%	4.45%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	.27%
Mortgage-backed Securities	5.00%	.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

(1) An expected inflation rate of 2.30% used for this period
(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 46,635,000	$ 32,283,000	$ 20,422,000

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (the "Plan"). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical, dental, vision, or life insurance coverage. The District's Board of Education has the authority to establish or amend the benefit terms offered by the Plan. The District's Board of Education also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2023, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

Benefits Provided: In accordance with contracts between the District and the respective employee groups, eligible employees may be entitled to receive certain medical dental or vision benefits through the Plan. Eligibility requirements vary depending on employee group, age at retirement, and number of years of service to the District:

Certificated and Management Employees: Certificated and management employees are eligible for benefits if they retire from the District after having reached age 55 with at least 15 years of service. Benefits provided include medical, dental, vision and life insurance, including dependent coverage, up to the maximum District contribution in the year of retirement, which varies by insurance plan and tier. The maximum contribution after retirement is increased by the same percentage as increases in the District's contribution for active employees over the same period. Benefits continue for the lesser of five years or until the retiree reaches age 65.

Classified Employees: Classified employees are eligible if they retire from the District after having reached age 58 with at least 20 years of service. Benefits provided include medical insurance up to a maximum District contribution that varies by tier and is frozen in the year of retirement. Only employees who were hired prior to August 1, 1991 are eligible to receive District-paid benefits for dependents. Dental, vision, and life insurance are available, however, the premiums for these insurance plans require the employee to contribute 100% of the premium.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2023.

	Number of Participants
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	54
Active employees	668
	722

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the District's Board of Education. Amounts paid by the District as benefits came due were $578,709 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability - The District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021.

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Method	Entry Age Actuarial Cost.
Discount Rate	3.69%.
Health Care Increases	Medical insurance premiums are assumed to increase by 4.00% for 2022-23, 5.20% in fiscal 2024-2069, decreasing to 4.00% by 2070 and beyond.
Mortality Rates	CalSTRS Experience Analysis (2015-2018), CalPERS Experience Study (2000-2019).
Health Plan Coverage Elections	100% of eligible employees are assumed to elect coverage upon retirement, through the expiration of the benefit period for the respective employee group.
Retirement Rates	Retirement rates are taken from the most recent experience studies for CalPERS and CalSTRS.
Turnover Rates (pre-retirement)	Pre-retirement turnover rates are based on the Crocker-Sarason Table T-5, less mortality – without adjustment.
Inflation Rate	2.75% per year
Salary Increase Rate	3.00% per year
Spouse Coverage	Future retirees – 75%, Current retirees – Actual data. Female spouses are assumed to be 3 years younger than male spouses.
Medical & Dental Claim Cost	Medical and dental claims were estimated based on the true per person costs.

Age	Medical	Dental
50	$ 11,315	$ 997
55	$ 13,117	$ 997
60	$ 15,206	$ 997
64	$ 17,114	$ 997
65	$ 5,005	$ 997
70	$ 5,392	$ 997
75	$ 5,808	$ 997

District Caps	Projected at healthcare trend rates for all future years, frozen in year of retirement.

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.69%. The municipal bond rate was based on the week closest but not later than the measurement date of the Municipal Bond 20-Year High Grade Rate Index as published by the Federal Reserve. To be eligible for the Municipal Bond 20-Year High Grade Rate Index the bonds must be rated at least Moody's Investors Service's Aa2, AA by Standard & Poor's Corp.'s, or AA by Fitch Ratings.

	Total OPEB Liability
Balance at June 30, 2022	$ 20,439,490
Changes for the year	
Service cost	1,720,069
Interest	416,664
Difference between expected and actual experience	-
Change in assumptions	(3,115,312)
Benefits paid	(578,709)
Net change	(1,557,288)
Balance at June 30, 2023	$ 18,882,202

The changes in assumptions include a change in the discount rate from 1.92% at the June 30, 2021 measurement date, to 3.69% at the June 30, 2022 measurement date.

There were no changes between the measurement date and the year ended June 30, 2023 which had a significant effect on the District's total OPEB liability.

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 percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	$ 20,408,317	$ 18,882,202	$ 17,465,139

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 percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Healthcare Cost Trend Rates Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	$ 16,846,583	$ 18,882,202	$ 21,261,271

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the year ended June 30, 2023, the District recognized OPEB expense of $2,210,136. At June 30, 2023 the District reported deferred outflows and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 885,926	$ -
Changes in assumptions	1,372,726	2,641,102
Contributions subsequent to measurement date	578,709	-
Total	$ 2,837,361	$ 2,641,102

Deferred outflows related to benefits paid subsequent to measurement date totaling $578,709, will be recognized as a reduction of the total OPEB liability during the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be amortized and recognized in OPEB expense as follows:

Year Ending June 30,	
2024	$ 73,403
2025	$ 73,403
2026	$ 85,991
2027	$ 136,325
2028	$ (11,791)
Thereafter	$ (739,781)

NOTE 10 - JOINT POWERS AGREEMENTS

The District has entered into agreements with Joint Powers Agreements (JPAs) for the purpose of obtaining certain services such as insurance and other utilities services. The District is a member of the Santa Cruz-San Benito County Schools Insurance Group (SC-SBSIG), Self-Insured Schools of California III (SISC III), Southern Peninsula Region Insurance Group (SPRIG), the School Project for Utility Rate Reduction (SPURR), the Protected Insurance Program for Schools (PIPS), and Nor-Cal Relief (NCR) public entity risk polls. The District pays an annual premium to each entity for its excess health, worker's compensation, and property liability coverage. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes. There have been no significant reductions in insurance coverage from coverage provided in the prior year.

NOTE 10 - JOINT POWERS AGREEMENTS (Continued)

Condensed audited financial information for the District's JPAs at June 30, 2022 for SCSBSIG, SPRIG, PIPS, NCR, SPURR and September 30, 2022 for SISC III are as follows:

	SCSBSIG	SISC III	SPRIG	SPURR	PIPS	NCR
Total assets	$ 4,003,696	$ 972,650,846	$ 1,558,677	$ 20,724,164	$ 229,417,398	$ 74,201,109
Total liabilities	$ 1,488,982	$ 272,859,018	$ 622,929	$ 15,094,369	$ 169,617,184	$ 41,042,148
Net position	$ 2,514,714	$ 699,791,828	$ 935,748	$ 5,629,795	$ 59,800,214	$ 33,158,961
Total revenues	$ 4,406,810	$ 2,881,328,800	$ 1,871,738	$ 64,718,155	$ 307,966,291	$ 80,060,372
Total expenditures	$ 3,807,812	$ 2,971,121,829	$ 1,978,603	$ 65,821,881	$ 310,190,361	$ 77,583,166
Change in net position	$ 598,998	$ (89,793,029)	$ (106,865)	$ (1,103,726)	$ (2,224,070)	$ 2,477,206

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Any ultimate liability from these claims will not materially affect the financial position or results of operations of the District in the opinion of management. Additionally, the District has certain legal matters pending as a result of recently enacted legislation, which the District is actively defending. At this time, the District accrued approximately $1,000,000 for estimated legal fees for the matters collectively.

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

The District had outstanding commitments for construction contracts totaling approximately $16.2 million at June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA CRUZ CITY SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues				
Local Control Funding Formula (LCFF)				
State apportionment	$ 15,310,208	$ 17,482,918	$ 17,396,172	$ (86,746)
Local sources	65,525,044	65,330,237	64,960,957	(369,280)
Total LCFF	80,835,252	82,813,155	82,357,129	(456,026)
Federal sources	7,559,655	15,307,685	8,087,101	(7,220,584)
Other state sources	7,711,876	18,830,937	18,164,847	(666,090)
Other local sources	8,100,063	14,530,823	11,455,306	(3,075,517)
Total revenues	104,206,846	131,482,600	120,064,383	(11,418,217)
Expenditures				
Current				
Certificated salaries	42,792,223	43,644,652	43,379,535	265,117
Classified salaries	16,964,512	18,242,708	17,656,960	585,748
Employee benefits	30,875,258	29,581,324	28,809,865	771,459
Books and supplies	3,983,663	28,096,236	3,354,398	24,741,838
Contract services and operating expenditures	14,704,086	18,805,407	15,670,014	3,135,393
Other outgo	25,362	25,362	17,141	8,221
Capital outlay	456,221	850,170	577,688	272,482
Total expenditures	109,801,325	139,245,859	109,465,601	29,780,258
(Deficiency) excess of revenues (under) over expenditures	(5,594,479)	(7,763,259)	10,598,782	18,362,041
Other financing sources (uses)				
Transfers in	2,500,000	-	2,500,000	2,500,000
Transfers out	(307,000)	-	-	-
Total other financing sources (uses)	2,193,000	-	2,500,000	2,500,000
Net change in fund balance	(3,401,479)	(7,763,259)	13,098,782	20,862,041
Fund balance, July 1, 2022	34,720,254	34,720,254	34,720,254	-
Fund balance, June 30, 2023	$ 31,318,775	$ 26,956,995	$ 47,819,036	$ 20,862,041

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER
POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2023

Last 10 Fiscal Years

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	$ 963,249	$ 992,146	$ 931,007	$ 1,110,714	$ 1,571,782	$ 1,720,069
Interest	433,143	439,146	535,279	550,078	481,876	416,664
Difference between expected and actual experience	-	-	655,061	-	697,881	-
Change in assumptions	-	(490,780)	1,418,600	897,789	82,767	(3,115,312)
Benefit payments	(1,168,875)	(1,240,893)	(988,432)	(873,491)	(976,936)	(578,709)
Net change in total OPEB liability	227,517	(300,381)	2,551,515	1,685,090	1,857,370	(1,557,288)
Total OPEB liability, beginning of year	14,418,379	14,645,896	14,345,515	16,897,030	18,582,120	18,582,120
Total OPEB liability, end of year	$ 14,645,896	$ 14,345,515	$ 16,897,030	$ 18,582,120	$ 20,439,490	$ 17,024,832
Covered employee payroll	$ 44,306,782	$ 44,535,632	$ 47,156,915	$ 51,250,133	$ 46,068,540	$ 53,179,827
Total OPEB liability as a percentage of covered-employee payroll	33.06%	32.21%	35.83%	36.26%	44.37%	32.01%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for this fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2018 are not available.

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension	0.064%	0.059%	0.066%	0.066%	0.065%	0.066%	0.064%	0.055%	0.059%
District's proportionate share of the net pension liability	$ 37,296,000	$ 39,358,000	$ 60,692,000	$ 60,692,000	$ 59,772,000	$ 59,716,000	$ 62,413,000	$ 25,219,000	$ 40,747,000
State's proportionate share of the net pension liability associated with the District	22,521,000	20,911,000	30,494,000	35,905,000	34,223,000	32,579,000	34,108,000	15,005,000	23,031,000
Total net pension liability	$ 59,817,000	$ 60,269,000	$ 91,186,000	$ 96,597,000	$ 93,995,000	$ 92,295,000	$ 96,521,000	$ 40,224,000	$ 63,778,000
District's covered payroll	$ 28,427,000	$ 27,258,000	$ 33,003,000	$ 34,782,000	$ 34,795,000	$ 35,874,000	$ 34,775,000	$ 29,764,000	$ 34,193,000
District's proportionate share of the pension liability as a percentage of its covered payroll	131.20%	144.39%	183.90%	174.49%	171.78%	166.46%	179.48%	84.73%	119.17%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%	81.20%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension	0.084%	0.080%	0.088%	0.087%	0.083%	0.086%	0.089%	0.087%	0.094%
District's proportionate share of the net pension liability	$ 9,512,000	$ 11,853,000	$ 20,752,000	$ 20,752,000	$ 22,192,000	$ 25,065,000	$ 27,273,000	$ 17,591,000	$ 32,283,000
District's covered payroll	$ 8,795,000	$ 8,904,000	$ 10,580,000	$ 11,084,000	$ 10,980,000	$ 12,032,000	$ 12,804,000	$ 12,411,000	$ 14,016,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.12%	196.14%	187.22%	202.11%	208.32%	213.00%	141.74%	230.33%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%	69.76%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 2,420,540	$ 3,541,186	$ 4,375,574	$ 5,020,979	$ 5,840,243	$ 6,238,340	$ 5,734,980	$ 6,530,857	$ 7,802,347
Contributions in relation to the contractually required contribution	(2,420,540)	(3,541,186)	(4,375,574)	(5,020,979)	(5,840,243)	(6,238,340)	(5,734,980)	(6,530,857)	(7,802,347)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 27,258,000	$ 33,003,000	$ 34,782,000	$ 34,795,000	$ 35,874,000	$ 34,775,000	$ 29,764,000	$ 34,193,000	$ 40,850,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *	16.15%**	16.92%***	19.10%

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 1,047,948	$ 1,253,410	$ 1,539,583	$ 1,705,326	$ 2,173,172	$ 2,537,388	$ 2,515,236	$ 3,210,984	$ 4,105,695
Contributions in relation to the contractually required contribution	(1,047,948)	(1,253,410)	(1,539,583)	(1,705,326)	(2,173,172)	(2,537,388)	(2,515,236)	(3,210,984)	(4,105,695)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 8,904,000	$ 10,580,000	$ 11,084,000	$ 10,980,000	$ 12,032,000	$ 12,804,000	$ 12,411,000	$ 14,016,000	$ 16,183,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES

A - 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 States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability: The Schedule of Changes in the District's Total OPEB Liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

C - Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions: The discount rates used for the total OPEB liability were 3.62, 3.13, 2.45, 1.92 and 3.69 percent as of the June 30, 2019, 2020, 2021 and 2022 measurement dates, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) plan were 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The inflation rates used for the PERF B plan were 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period							
Assumption	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SANTA CRUZ CITY SCHOOLS
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Total
ASSETS								
Cash in County Treasury	$ -	$ 41,665	$ 1,284,984	$ 95,676	$ 2,352,789	$ 12,735,288	$ 13,764	$ 16,524,166
Cash with fiscal agent	-	-	-	-	-	-	439,344	439,344
Cash on hand and in banks	598,561	52	5,790	-	-	-	-	604,403
Receivables	-	7,132	486,891	-	-	-	-	494,023
Stores inventory	-	-	39,935	-	-	-	-	39,935
Total assets	$ 598,561	$ 48,849	$ 1,817,600	$ 95,676	$ 2,352,789	$ 12,735,288	$ 453,108	$ 18,101,871
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ -	$ 1,242	$ 10,266	$ -	$ 125,472	$ 210,985	$ -	$ 347,965
Unearned Revenue	-	-	61,716	-	-	-	-	61,716
Total liabilities	-	1,242	71,982	-	125,472	210,985	-	409,681
Fund balances:								
Nonspendable	-	-	39,935	-	-	-	-	39,935
Restricted	598,561	47,607	1,705,683	95,676	2,227,317	12,524,303	453,108	17,652,255
Total fund balance	598,561	47,607	1,745,618	95,676	2,227,317	12,524,303	453,108	17,692,190
Total liabilities and fund balances	$ 598,561	$ 48,849	$ 1,817,600	$ 95,676	$ 2,352,789	$ 12,735,288	$ 453,108	$ 18,101,871

SANTA CRUZ CITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Total
Revenues								
Federal sources	$ -	$ -	$ 1,402,957	$ -	$ -	$ -	$ -	$ 1,402,957
Other state sources	-	-	2,401,524	-	-	-	-	2,401,524
Other local sources	825,453	17,823	656,943	1,226	1,241,190	6,047,452	228	8,790,315
Total revenues	825,453	17,823	4,461,424	1,226	1,241,190	6,047,452	228	12,594,796
Expenditures								
Current								
Classified salaries	-	-	1,200,317	-	-	-	-	1,200,317
Employee benefits	-	-	716,769	-	-	-	-	716,769
Books and supplies	852,878	-	1,194,709	-	8,450	70,301	-	2,126,338
Contract services and operating expenditures	-	18,810	45,775	-	144,769	1,703	-	211,057
Capital outlay	-	-	43,450	-	149,017	999,854	-	1,192,321
Debt service								
Principal retirement	-	-	-	-	-	652,586	140,000	792,586
Interest	-	-	-	-	-	96,656	10,942	107,598
Total expenditures	852,878	18,810	3,201,020	-	302,236	1,821,100	150,942	6,346,986
Excess (deficiency) of revenues over (under) expenditures	(27,425)	(987)	1,260,404	1,226	938,954	4,226,352	(150,714)	6,247,810
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	150,942	150,942
Transfers out	-	-	-	-	-	(2,650,942)	-	(2,650,942)
Total other financing sources (uses)	-	-	-	-	-	(2,650,942)	150,942	(2,500,000)
Net change in fund balance	(27,425)	(987)	1,260,404	1,226	938,954	1,575,410	228	3,747,810
Fund balance, July 1, 2022	625,986	48,594	485,214	94,450	1,288,363	10,948,893	452,880	13,944,380
Fund balance, June 30, 2023	$ 598,561	$ 47,607	$ 1,745,618	$ 95,676	$ 2,227,317	$ 12,524,303	$ 453,108	$ 17,692,190

Santa Cruz City Schools was established in 1857. The District is a political subdivision of the State of California. The territory covered by the District includes Santa Cruz City Elementary School District and Santa Cruz City High School District. There were no changes in District boundaries during the current year. Santa Cruz City Schools operates four elementary, two middle schools, three comprehensive high schools, one continuation high school, and three alternative schools.

The Board of Education of Santa Cruz City Schools is composed of seven members. Although all seven members are elected at large, the District is divided into seven geographical areas and the Board members representing an area must reside within its boundaries. The Board and the Cabinet manage and control the affairs of the District.

GOVERNING BOARD

Name	Office	Term Expires
John Owen	President	2026
Patricia Threet	Vice President	2024
Shelia Coonerty	Member	2024
Kevin Grossman	Member	2026
Kyle Kelley	Member	2026
Angela Meeker	Member	2026
Claudia Vestal	Member	2024

ADMINISTRATION

Kris Munro
Superintendent

Jim Monreal
Assistant Superintendent, Business Services

Dorothy Coito
Assistant Superintendent, Education Services

Molly Parks
Assistant Superintendent, Human Resources

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2023

	Second Period Report	Audited Second Period Report*	Annual Report
Certificate Numbers	9AC337C8	5A285A08	5A28527D
Elementary			
Transitional Kindergarten through Third	1,100	1,102	1,108
Fourth through Sixth	789	790	794
Seventh through Eighth	637	638	638
Subtotal Elementary	2,526	2,530	2,540
Certificate Numbers	F20763FB	5A2CDA08	5A2CDA7D
Secondary			
Ninth through Twelfth	2,962	2,964	2,954
Total District	5,488	5,494	5,494

* Reflects revisions made by the District subsequent to the submission of the original Second Period Report of Attendance, based on an internal review of the records.

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2023

Grade Level	Statutory Minutes Requirement	2022-2023 Actual Minutes	2022-2023 Actual Days Offered	Credited Days Per Approved Form J-13A*	Number of Days Traditional Calendar	Status
Kindergarten	36,000	41,400	180	-	180	In compliance
Grade 1	50,400	50,625	180	-	180	In compliance
Grade 2	50,400	50,625	180	-	180	In compliance
Grade 3	50,400	50,625	180	-	180	In compliance
Grade 4	54,000	54,225	180	-	180	In compliance
Grade 5	54,000	54,225	180	-	180	In compliance
Grade 6	54,000	58,699	180	-	180	In compliance
Grade 7	54,000	58,699	180	-	180	In compliance
Grade 8	54,000	58,699	180	-	180	In compliance
Grade 9	64,800	66,190	179	1	180	In compliance
Grade 10	64,800	66,190	179	1	180	In compliance
Grade 11	64,800	66,190	179	1	180	In compliance
Grade 12	64,800	66,190	179	1	180	In compliance

*Soquel High School had 180 days which included a J-13A Waiver of 1 day which was approved on December 11, 2023. There was no deficiency of minutes as a result of the one day school closure.

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education		
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	$ 1,407,497
84.027	IDEA Part B, Local Assistance, Part B, Section 611, Private School ISPs	10115	34,523
84.027	COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	15638	241,375
84.027	COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	10169	5,680
84.173	COVID-19: ARP IDEA Part B, Sec. 619, Preschool Grants	15639	19,409
84.027A	IDEA Mental Health Average Daily Attendance Allocation	15197	32,404
84.173	IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	37,335
	Subtotal Special Education Cluster		1,778,223
	COVID-19: Education Stabilization Fund (ESF) Programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	15536	47,543
84.425	COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II)	15547	1,800,704
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER III)	15559	1,459,134
84.425C	COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	13,877
84.425D	COVID-19: Expanded Learning Opportunities(ELO) Grant: ESSER II State Reserve	15618	179,695
84.425C	COVID-19: Expanded Learning Opportunities(ELO) Grant: GEER II	15619	82,701
84.425U	COVID-19:Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	614,342
84.425U	COVID-19: Expanded Learning Opportunities(ELO) Grant: ESSER III State Reserve Learning Loss	15521	35,564
	Subtotal COVID-19: ESF Programs		4,233,560

(Continued)

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education (Continued)		
	Title I Programs:		
84.010	ESEA: Title I, Part A, Basic Grants, Low-Income and Neglected	14329	$ 1,048,736
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs	15438	280,700
	Subtotal Title I Programs		1,329,436
	Title III Programs:		
84.365	NCLB (ESEA) : Title III, Limited English Proficient (LEP) Student Program	14346	122,275
84.365	NCLB (ESSA) : Title III, Immigrant Student Program	15146	5,366
	Subtotal Title III Programs		127,641
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	73,513
84.158	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	361,077
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	134,065
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	49,587
	Total U.S. Department of Education		8,087,102
	U.S. Department of Agriculture - Passed through California Department of Education		
	Child Nutrition Cluster		
10.555	Child Nutrition: School Programs	13523	1,250,898
10.555	Child Nutrition: Supply Chain Assistance (SCA) Funds	15655	152,058
	Subtotal: Child Nutrition Cluster		1,402,956
	Total U.S. Department of Agriculture		1,402,956
	Total Federal Programs		$ 9,490,058

See accompanying notes to supplementary information.

There were no audit adjustments proposed to any other funds of the District.

SANTA CRUZ CITY SCHOOLS
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2023
(UNAUDITED)

	(Adopted Budget) 2024	2023	2022	2021
General Fund				
Revenues and other financing sources	$ 114,774,357	$ 122,564,383	$ 105,816,210	$ 102,671,029
Expenditures	115,057,531	109,465,601	99,400,946	91,570,511
Other uses and transfers out	-	-	-	627,921
Total outgo	115,057,531	109,465,601	99,400,946	92,198,432
Change in fund balance	$ (283,174)	$ 13,098,782	$ 6,415,264	$ 10,472,597
Ending fund balance	$ 47,535,862	$ 47,819,036	$ 34,720,254	$ 28,304,990
Available reserves	$ 11,016,180	$ 21,246,221	$ 15,914,173	$ 11,042,904
Designated for economic uncertainties	$ 3,481,726	$ 3,414,622	$ 2,982,028	$ 2,765,953
Undesignated fund balance	$ 7,534,454	$ 17,831,599	$ 12,932,145	$ 8,276,951
Available reserves as percentages of total outgo	10%	19%	16%	12%
All Funds				
Total long-term liabilities	$ 311,916,820	$ 322,724,178	$ 304,418,855	$ 285,086,650
Average daily attendance at P-2	5,379	5,494	5,697	6,079

The fund balance of the General Fund has increased by $29,986,643 over the past three years. The fiscal year 2023-2024 budget, as originally adopted, projects a decrease of $283,174. For a district this size, the state recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses. The District has met this requirement at June 30, 2023.

The District has incurred operating surpluses in each of the past three years; however, anticipates an operating deficit for the 2023-2024 fiscal year.

Total long-term liabilities have increased by $37,637,528 over the past two years.

Average daily attendance has decreased by 585 over the past two years. A decrease of 115 ADA is projected for the 2023-2024 fiscal year.

See accompanying notes to supplementary information.

Charter #	Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
0059	Delta Charter	Separate report.

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance: Average daily attendance 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. 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 46201 through 46206.

Schedule of Expenditures of Federal Awards: The Schedule of Expenditures of Federal Awards includes the federal award activity of Santa Cruz City Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. There were no funds passed through to subrecipients.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides trend information on District's financial condition over the past three years and its anticipated condition for the 2023-2024 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the year ended June 30, 2023, the District did not adopt this program.

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Santa Cruz City Schools
Santa Cruz, California

Report on Compliance

Opinion on State Compliance

We have audited Santa Cruz City Schools District's (the District) compliance with the requirements specified in the State of California *2022-2023 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, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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.

(Continued)

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 *2022-2023 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

	2022-23 K-12 Audit Guide Procedures	Procedures Performed
	Local Education Agencies Other than Charter Schools:	
A.	Attendance	Yes
B.	Teacher Certification and Misassignments	Yes
C.	Kindergarten Continuance	Yes
D.	Independent Study	Yes
E.	Continuation Education	Yes
F.	Instructional Time	Yes
G.	Instructional Materials	Yes
H.	Ratio of Administrative Employees to Teachers	Yes
I.	Classroom Teacher Salaries	Yes
J.	Early Retirement Incentive	N/A, see below
K.	Gann Limit Calculation	Yes
L.	School Accountability Report Card	Yes
M.	Juvenile Court Schools	N/A, see below
N.	Middle or Early College High Schools	N/A, see below
O.	K-3 Grade Span Adjustment	Yes
P.	Transportation Maintenance of Effort	Yes
Q.	Apprenticeship: Related and Supplemental Instruction	N/A, see below
R.	Comprehensive School Safety Plan	Yes
S.	District of Choice	N/A, see below
TT.	Home to School Transportation Reimbursement	Yes
UU.	Independent Study Certification for ADA Loss Mitigation	Yes

(Continued)

School Districts, County Offices of Education, and Charter Schools:

T.	California Clean Energy Jobs Act	N/A, see below
U.	After/Before School Education and Safety Program	Yes
V.	Proper Expenditure of Education Protection Account Funds	Yes
W.	Unduplicated Local Control Funding Formula Pupil Counts	Yes
X.	Local Control and Accountability Plan	Yes
Y.	Independent Study – Course-Based	N/A, see below
Z.	Immunizations	N/A, see below
AZ.	Educator Effectiveness	Yes
BZ.	Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ.	Career Technical Education Incentive Grant	Yes
EZ.	Transitional Kindergarten	Yes

Charter Schools:

AA.	Attendance	N/A, see below
BB.	Mode of Instruction	N/A, see below
CC.	Nonclassroom-Based Instruction/Independent Study	N/A, see below
DD.	Determination of Funding for Nonclassroom-Based Instruction	N/A, see below
EE.	Annual Instructional Minutes-Classroom Based	N/A, see below
FF.	Charter School Facility Grant Program	N/A, see below

The District does not offer an Early Retirement Incentive Program during the audit year; therefore, we did not perform procedures related to Early Retirement Incentive Program.

The District does not operate any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools Program.

The District does not operate any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools Program.

The District did not offer any qualifying apprenticeship program with data reported through the Community College Chancellor's Office; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction Program.

The District was not classified as a District of Choice by the California Department of Education during the audit year; therefore, we did not perform procedures related to District of Choice Program.

The District did not expend funds, or complete projects related to California Clean Energy Jobs Act during the audit year: therefore, we did not offer procedures related to California Clean Energy Jobs Act Program.

The District did not report any ADA for Independent Study - Course Based; therefore, we did not perform procedures related to Independent Study - Course Based Program.

The District’s schools submitted timely immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to Immunizations program.

We did not perform any procedures related to Charter schools because the District did not include any charter schools in this report, specifically we did not perform procedures for section AA, BB, CC, DD, EE and FF.

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.

(Continued)

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 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 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
January 25, 2024

Crowe LLP
Independent Member Crowe Global

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

Board of Education
Santa Cruz City Schools
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz City Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Santa Cruz City Schools' basic financial statements, and have issued our report thereon dated January 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Cruz City Schools' 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 Santa Cruz City Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Cruz City Schools' 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described as 2023 - 001 in the accompanying schedule of audit findings and questioned costs that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Cruz City Schools' 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*.

(Continued)

Santa Cruz City Schools' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Santa Cruz City Schools' response to the findings identified in our audit and described in the accompanying schedule of audit findings and questions costs. The Santa Cruz City Schools' 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.

Crowe LLP

Crowe LLP

Sacramento, California
January 25, 2024

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

Board of Education
Santa Cruz City Schools
Santa Cruz, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Santa Cruz City Schools' 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 Santa Cruz City Schools' major federal programs for the year ended June 30, 2023. Santa Cruz City Schools' 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, Santa Cruz City Schools 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, 2023.

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 Santa Cruz City Schools 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 Santa Cruz City Schools' 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 Santa Cruz City Schools' federal programs.

(Continued)

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 Santa Cruz City Schools' 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 Santa Cruz City Schools' 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 Santa Cruz City Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Santa Cruz City Schools' 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 Santa Cruz City Schools' 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Sacramento, California
January 25, 2024

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting: Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	X Yes	____ None reported
Noncompliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

Internal control over major programs: Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.425, 84,425C, 84.425D, 84,425U	COVID-19: ESF Programs
10.555	Child Nutrition Cluster
84.010	Title I Programs

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

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Unmodified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001- SIGNIFICANT DEFICIENCY – ACCOUNTS PAYABLE (3000)

Criteria: Generally accepted accounting principles require that expenses be recorded in the period in which goods or services were received. Accounts payable should be recorded for services performed, but not yet paid as of June 30, 2023 to ensure expenditures are reflected in the proper period.

Condition: Four invoices were not appropriately accrued for or included in the accounts payable detail for the Building Fund as of June 30, 2023.

Effect: The total impact of this matter was an understatement of accounts payable totaling approximately $1,098,000.

Cause: The District's closing process did not ensure that all transactions were recorded in the proper period timely and accurately.

Recommendation: We recommend the District implement internal control procedures to ensure financial transactions are recorded in the proper fiscal period.

Views of Responsible Officials and Planned Corrective Actions: Internal staff has discussed and created a system to re-review invoices for bond projects, in particular, those that are dated June and July of each respective year. Staff will review work that has been completed and project the portion of the invoice that will be added to fiscal year end totals. Staff will calendar an internal meeting the third week of July to review end of year invoices from vendors. SCCS will re-emphasize with vendors and partners the cutoffs necessary for the work even though it may cross two fiscal years.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

2022-001 – MATERIAL WEAKNESS – INTERNAL CONTROLS OVER FINANCIAL REPORTING (30000)

Condition: The District did not record necessary journal entries to reflect the issuance of Election of 2016 Series 2016 C General Obligation bonds, for both Santa Cruz City Elementary School District and Santa Cruz City High School District. The aggregate amount of both omitted entries totaled $62,400,000 in the District's Building Fund. The proceeds were deposited in the Santa Cruz County Treasury through the debt issuance, but the District's internal records were not updated to reflect the proceeds from issuance and corresponding Cash in County Treasury balance.

Recommendation: The District should update their internal control procedures for reviewing Cash in County Treasury and other account reconciliations, as necessary, to ensure that accounting and financial reporting for the issuance of new debt is reported, and is complete, accurate and appropriate.

Current Status: Implemented.

District Explanation if Not Implemented: Not Applicable.

2022-002 – DEFICIENCY – STATE COMPLIANCE – ATTENDANCE (10000)

Condition: One student was improperly claimed for apportionment at DeLaveaga Elementary School for a total overstatement of 0.01 ADA.

Recommendation: The District should enforce established internal controls over attendance accounting and reporting, to ensure accurate accounting for attendance.

Current Status: Implemented.

District Explanation if Not Implemented: Not Applicable.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Lozano Smith, LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[LETTERHEAD OF LOZANO SMITH]

_________, 2024

Board of Education
Santa Cruz City Elementary School District
133 Mission Street, Suite 100
Santa Cruz, CA 95060

$___________
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(SANTA CRUZ COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A

FINAL OPINION OF BOND COUNSEL

Members of the Board of Education

We have acted as Bond Counsel to the Santa Cruz City Elementary School District (the "District") in connection with the issuance by the District of its Santa Cruz City Elementary School District (Santa Cruz County, California) General Obligation Bonds, Election of 2022, Series A, in the aggregate principal amount of $__________ (the "Bonds"), issued under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof (the "Bond Law"), and under a Resolution adopted by the Board of Education of the District on October 23, 2024 (the "Bond Resolution"). The Bonds were sold at a competitive sale to _________, as Underwriter (the "Underwriter") pursuant to the terms of an Official Notice of Sale for the Bonds.

In such connection, we have examined the Bond Resolution, the Bond Law, the Tax Certificate, dated the date hereof and executed by the District (the "Tax Certificate"), the Official Notice of Sale, the Continuing Disclosure Certificate, dated the date hereof and executed by the District (the "Continuing Disclosure Certificate"), certificates of the District and others, and such other law, documents, opinions and matters to the extent we deemed necessary to render the opinions or conclusions set forth herein.

The opinions and conclusions 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 or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. 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, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Bond Resolution, the Tax Certificate, the Continuing Disclosure Certificate and the Official Notice of Sale and their enforceability 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 school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement relating to the Bonds, dated __________, 2024.

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

1. The Bond Resolution has been duly adopted by the Board of Education of the District and the Bond Resolution constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

2. The Bonds have been duly authorized, issued and sold by the District and are valid and binding general obligations of the District, and the Boards of Supervisors of the County of Santa Cruz is obligated and authorized under the laws of the State of California to levy and collect *ad valorem* taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property within the District's boundaries, for the payment when due of the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; 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. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Bond Resolution and the Tax Certificate and other instruments relating to the Bonds to comply with each of such requirements under the Code. Failure to comply with certain of such requirements under the Code may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

4. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Except as stated in the preceding paragraphs, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. The 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. 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 fact or circumstance that may thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such 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.

Respectfully submitted,

Lozano Smith, LLP

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$___________
SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT
(Santa Cruz County, California)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A

CONTINUING DISCLOSURE CERTIFICATE

Dated: ______________, 2024

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Santa Cruz City Elementary School District (the "District") in connection with the execution and delivery of the captioned bonds (the "Bonds"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Education of the District on October 23, 2024 (the "Resolution"). U.S. Bank Trust Company, National Association, San Francisco, California, is the designated paying agent for the Bonds (the "Paying Agent").

The District hereby covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5).

Section 2. <u>Definitions</u>. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently being March 31 based on a fiscal year ending June 30).

"*Dissemination Agent*" means, initially, Dale Scott & Company or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board or any other entity, which has been designated or authorized by the SEC as the sole repository of disclosure information for purposes of the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made in electronic format through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org, accompanied by such identifying information as is prescribed by the MSRB.

"*Paying Agent*" means U.S. Bank Trust Company, National Association, San Francisco, California, or any successor thereto.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2025 with the report for the 2023-24 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District (which requirement shall be deemed satisfied by the filing of audited financial statements which are prepared on a combined basis with the Santa Cruz City Elementary School District so long as the District is operating pursuant to combined management and reporting under the California Education Code), prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the District shall include in its Annual Report the following information with respect to the most recently completed fiscal year:

(i) Total assessed value of taxable property in the jurisdiction of the District;

(ii) Assessed value of the top twenty secured property taxpayers in the District;

(iii) Property tax collection delinquencies in the District, but only if the District's general obligation bond tax levies are not included in Santa Cruz County's Teeter Plan and such information is available from the County; and

(iv) The District's most recently adopted budget or interim report showing budgeted figures available at the time of filing the Annual Report, which may be on a combined basis with the Elementary School District under the name the "Santa Cruz City Schools."

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the SEC. The filing of information with respect to (b)(i) through (iii) shall be deemed satisfied if information which is filed is more recent at the time of filing than information relating to the most recently completed fiscal year.

Section 5. <u>Reporting of Significant Events</u>.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above 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 under the Bond Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law.

Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Termination of Reporting Obligation</u>. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. <u>Dissemination Agent</u>. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Santa Cruz or in U.S. District Court in or nearest to the County of Santa Cruz. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Santa Cruz City Elementary School District
133 Mission Street, Suite 100
Santa Cruz, CA 95060

To the Participating Underwriter: ____________________________

Dated as of ___________________

SANTA CRUZ CITY ELEMENTARY SCHOOL DISTRICT

By:____
Superintendent

ACCEPTED AND AGREED TO AS DISSEMINATION AGENT:
DALE SCOTT & COMPANY INC.

By: ____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Santa Cruz City Elementary School District (the "District")
Name of Bond Issue:	Santa Cruz City Elementary School District General Obligation Bonds, Election of 2022, Series A
Date of Issuance:	_______________, 2024

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of ________________, 2024. The District anticipates that the Annual Report will be filed by __________________________.

Dated: __________

[ISSUER OR DISSEMINATION AGENT]

By: ________________________
Its: ________________________

cc: Paying Agent and Participating Underwriter

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities

are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or 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, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC,

and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. 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.

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APPENDIX G

SANTA CRUZ COUNTY INVESTMENT POLICY STATEMENT AND QUARTERLY INVESTMENT REPORT

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COUNTY OF SANTA CRUZ

2024

INVESTMENT POLICY

Adopted by Board of Supervisors on December 5, 2023

Policy in effect for calendar year 2024

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County of Santa Cruz
STATEMENT OF INVESTMENT POLICY

Under the laws of the State of California, it is the responsibility of the County Treasurer, at the direction of the Board of Supervisors, to secure and protect the public funds of the County and the participants of the Investment Pool, and to establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are deemed temporarily available for investment, in a manner anticipated to provide additional benefit to the people of the County of Santa Cruz. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments, and other financial duties separately. This pooling of public funds eliminates duplication of expenses, smooths out cash flow, permits cost savings through higher volume, and attracts more professional service providers.

This Statement of Investment Policy will be provided annually for the review of the Treasury Oversight Commission and the approval of the Board of Supervisors in an open public meeting.

COUNTY TREASURER

The County Treasurer referred to in the Statement of Investment Policy is the County Auditor-Controller-Treasurer-Tax Collector.

SCOPE

This Statement of Investment Policy pertains to those temporarily excess funds under the control of the Treasurer, designated for the daily ongoing operations of the County and pool participants; and concerns the deposit, maintenance, and safekeeping of all such funds, and the investments made with these funds. This Policy does not apply to pension moneys, deferred compensation funds, trustee, and certain other non-operating funds not participating in the County Investment Pool.

PURPOSE OF POLICY STATEMENT

The purpose of this Statement of Investment Policy is to provide the Board of Supervisors, the Treasury Oversight Commission, those entities invested in the County Investment Pool, those involved in servicing the investment requirements of the County, and any other interested party, a clear understanding of the regulations and internal guidelines that will be observed in maintaining and investing those pooled funds deemed temporarily excess.

TREASURY OBJECTIVES

The primary objective of the Treasurer is to protect the safety of the principal of the County Investment Pool through the judicious purchase of those legal investments permitted to local agencies, as defined in the State of California Government Codes, consistent with current conditions and the other dominant objectives pursuant to managing a local agency portfolio, namely:

Safety: It is the primary responsibility of the Treasurer to maintain the safe return of all principal placed in investments by avoiding decisions that might result in losses through either fraud, default, or adverse market conditions. Import is also accorded the protection of accrued interest earned on any investment instrument.

Liquidity: It is imperative that most investments be in items that are immediately negotiable, as the portfolio is a cash management fund. It shall always be assumed that all investments could require immediate liquidation in order to meet unexpected cash calls.

Availability: Due to the nature of a public funds portfolio, it is mandatory that moneys be available to meet the monetary requirements inherent to operating a public entity. Thus funds need to be invested in such a manner that money will always be available to pay normal cash requirements. A sufficient portion of all funds shall be invested in securities providing a high degree of liquidity and availability, that is, in securities easily sold or converted to cash in a timely manner, with little or no loss of interest earnings.

Yield: While it is considered desirable to obtain a yield commensurate to current market conditions, yield shall not be the driving force in determining which investments are to be selected for purchase. Yield is definitely considered to be of much lesser importance than safety, liquidity or availability.

The Treasurer places investments with the objective of obtaining a yield commensurate to current market conditions, not attempting to maximize yield at the expense of safety, liquidity, or availability, yet not totally ignoring those factors within the marketplace that may be indicative of either favorable or hazardous conditions. The portfolio will be managed very conservatively, but actively enough to avert avoidable losses due to adverse market conditions.

PRUDENCE

The Treasurer is subject to the "Prudent Investor Standard" whenever making a decision regarding the investment of the County′s funds. This rule states in principle:

> *"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."*

The Treasurer, and those acting for the Treasurer, are considered to have a fiduciary, trustee, relationship with the public for the public funds, and all investment decisions will be made in a manner sustaining this responsibility.

DELEGATION OF AUTHORITY

In accordance with Government Code section 27000.1 and County of Santa Cruz Ordinance 2.10.030, the County Treasurer has been delegated the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Pool.

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day-to-day operations. Those staff members, in addition to the Treasurer, currently authorized to act on behalf of the County, as of the date entered on this Policy, are listed below. This list is subject to change, and those parties involved in transactions with the Treasurer's department should always obtain a current Trading Authorization and Agreement form, and be verbally introduced by a known Treasury employee, prior to accepting unconfirmed verbal instructions from any previously unknown Treasury staff member.

Authorized Personnel
Senior Department Administrative Analyst
Investment Officer
Senior Accounting Technician – Treasury Division

Other persons, both inside and outside County employment, may act in the role of assistant or advisor to aid in the timely and proper settlement of investment transactions. While these persons may provide information or aid in the expedient delivery of securities, they may not authorize, approve, or initiate any trading activities. **Only the Treasurer and the persons listed on the current *Trading Authorization and Agreement* may initiate trading activity.**

SECURITIES CUSTODY

The Treasurer has established a third party custody and safekeeping account to which all negotiable instruments shall be delivered upon purchase on a payment versus delivery basis. No negotiable or deliverable securities or investments will be left in the custody of any brokerage firm or issuing party, including any collateral from Repurchase Agreements.

DESIGNATED SERVICE BANK

The Treasurer shall designate a State or Federally chartered bank operating within the State of California to serve as the County's Primary Service Bank. The Treasury shall use this bank as a clearinghouse for all funds.

AUTHORIZED INVESTMENTS AND LIMITATIONS

The Government Codes of the State of California, primarily within sections 53600 et. seq., establish the legality of certain types of investment vehicles for a California local agency's portfolio. Thereby, under no circumstances is the Treasurer permitted to purchase an investment that is not specifically authorized for a local agency under these, or other code sections that may apply, or might later be enacted, pertaining to local agency investments. Investment professionals dealing with the County should possess a complete understanding of these Code sections.

An attached Exhibit A briefly describes the types of securities that are legal within the Government Code sections noted above and outlines the various limitations included in these sections. Excepting the restrictions noted below in this section, all legally permitted investment options described in the Government Code are authorized at this time. Funds placed in the State's Local Agency Investment Fund (LAIF) shall follow the limitations placed on these deposits by the State and may change in accordance with these restrictions.

Though these Government Code sections define the investment types and terms permissible to the Treasurer, **the Treasurer will not:**

- Invest in any security or investment with a stated or potential final maturity longer than five years, unless it contains a non-retractable "put" exercisable within five years. In other words, such a security cannot be purchased by the Treasurer unless it permits the investor the unrestricted choice of selling the security back to the issuer at par, or above, at a time prior to five years.

- Invest in any security or investment wherein, by the terms of the investment, interest might not be earned during any period the security or investment exists.

- Purchase floating rate securities containing an inherent yield structure that could result in a return substantially below rates available for similar maturity periods on the dates the coupon changes.

- Enter into a reverse repurchase agreement.
- Purchase any Collateralized Mortgage Obligations.
- Lend securities.
- Invest in futures or options.

Nothing in the preceding prohibitions is intended to preclude the purchase of authorized investments that are callable.

In addition to the limitations provided in State law and this Statement of Investment Policy, various temporary and more restrictive constraints may at times be beneficial due to transient conditions within the marketplace. These flexible constraints are not part of this Policy but are presented in a document prepared by the Treasurer entitled "Temporary Constraints and Restrictions on Investments", and will change on an "as needed" basis. The attached Exhibit B is the "Temporary Constraints and Restrictions on Investments" that were in effect when the Board of Supervisors approved this policy. When these constraints and restrictions change, a copy will be immediately sent to members of the Treasury Oversight Commission and the Board of Supervisors. These constraints or restrictions may only be ***more*** restrictive than those of the Policy but may ***not*** be less restrictive. Investment professionals should be aware of these temporary conditions in order to save time and best serve the County.

AUTHORIZED DEALER LIST

It is prohibited for a transaction to be entered into with any securities broker, dealer or bank investment department or subsidiary prior to that entity being designated an Authorized Dealer, and placed on the Authorized Dealer List. For a firm to become authorized it must first demonstrate that it will add value to the Treasurer's efforts to best manage the cash portfolio, as well as fulfill certain other minimum requirements. Preference will be given to primary dealers or others who possess a strong capital capacity and willingness to make a market in the various fixed income securities that the County holds. To qualify for Authorized Dealer status, a brokerage firm or bank must be one of the following:

1) Be a dealer operation properly licensed to deal with local agencies in California and have a minimum of $50 million in capital or;

2) Be a Primary Dealer of the Federal Reserve Bank of New York or;

3) Be a department or subsidiary of an insured bank with minimum assets of $500 million that the County has a comprehensive banking relationship with or;

4) Be a broker operation properly licensed to deal with local agencies in California that has capital of not less than $5 million, that is not directly involved in the actual custody, and transfer of money or securities purchased or sold by the County, but that represents established accounts opened in the County name at those firms meeting the requirements of this section,

wherein all dealings would be the responsibility of the dealer operation, and wherein all deliveries, payments, written confirmation, etc. will originate with the qualified dealer operation and are sent directly to the County.

If meeting the above requirements, a salesperson may apply to become an Authorized Dealer by sending to the Treasurer their most recent annual and interim audited financial statements and a letter furnishing:

1) Their reasons for believing they would add value to the present coverage; and,

2) A general roster of those markets they participate in, and specifics on those types of securities they as a firm, regularly issue or regularly hold dealer trading positions in; and,

3) A list of five references, at least three being California local agency treasurers, including telephone numbers and email addresses that the Treasurer or his representative may contact.

The Treasurer will initiate an investigation of the applying salesperson and the firm through various sources, including the Financial Industry Regulatory Authority (FINRA), to determine market participation, knowledge, reputation, and financial stability. All salespeople and their supervisors will be expected to have a working knowledge of the appropriate sections of the State of California Government Code, sufficient experience in covering public entities, a willingness to well serve their customers, a complete and total understanding of this Investment Policy, and demonstrate an ongoing ability to work with the Treasurer and staff. The Treasurer will review all new requests annually, and if the decision is made that additional dealers would be beneficial to best service the portfolio's needs, those dealers selected will be informed of their addition to the Authorized Dealer List. All dealers are subject to removal from the Authorized Dealer List at any time, solely at the discretion of the Treasurer.

The Treasurer, or Treasury staff, are prohibited from dealing with a salesperson, broker, or account executive from any broker, dealer or bank investment department or subsidiary until the Acknowledgment form found on the last page of the *Trading Authorization and Agreement* is signed by all parties and received by the Treasurer. The *Trading and Authorization Agreement* is sent to all approved dealers and is an integral part of this Policy Statement for Broker/Dealers, etc. doing investment business with the County Treasurer or Treasury staff.

Similar restrictions and forms will be required of those firms doing business with the County through retained financial advisors or managers. Certain selected firms may be chosen or appointed by the Treasurer to render specific services the Treasurer determines they are uniquely qualified to provide, wherein some of the requirements of this section may be waived.

Neither the Treasurer, nor any member of the Treasurer's staff, may accept any gift, honoraria, gratuity or service of value in violation of the regulations set forth by the Fair Political Practices Commission, the Government Codes, additional limitations set forth by County ordinance, or internal requirements of the Treasurer. The Treasurer and all members of the Treasury staff are prohibited from conducting any business with any broker, dealer, or securities firm that has made a political contribution within any consecutive 48 month period beginning January 1, 1996, in an amount exceeding the limitation contained in Rule G37 of the Municipal Securities Rulemaking Board, to the County Treasurer or any member of the Board of Supervisors, or any candidate for these offices.

THE COUNTY TREASURY OVERSIGHT COMMISSION

In accordance with Government Code section 27130 et seq. and County Ordinance 4433, there shall be a Treasury Oversight Commission of five members appointed from the following:

a) An appointed representative of the Board of Supervisors.
b) The County Superintendent of Schools, or designee.
c) A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts of the County.
d) A representative selected by a majority of the presiding officers of the legislative bodies of the special districts within the County that are required or authorized to deposit money in the County Investment Pool.
e) A public member who shall have expertise in, or an academic background in, public finance.

Restriction of Members - All members of the Treasury Oversight Commission are restricted as follows:

- A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer; or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the commission.
- A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the commission.
- A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the commission or for one year after leaving the commission.
- Members may not receive honoraria, gifts, gratuities or service of value from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business.

The Treasurer will annually provide a copy of the Investment Policy for review and monitoring by the Treasury Oversight Commission. The Treasurer will provide a report quarterly to the Board of Supervisors and the Treasury Oversight Commission, identifying all investments held in the County Investment Pool, or elsewhere by the Treasurer. The Treasury Oversight Commission shall, via this report and other appropriate means, monitor the activities of the Treasurer, and cause to be performed an annual audit to determine the Treasurer's compliance with this Investment Policy, and other appropriate regulations.

Commission meetings shall be open to the public and in compliance with the appropriate sections of the Ralph M. Brown Act. By Code, all costs related to the duties of the Treasury Oversight Commission will be considered normal charges against earnings of the Investment Pool.

The Treasury Oversight Commission shall have no authority to direct the process or daily operation of any portion of the Treasury department, nor shall the Commission play any role in determining which banks, firms, or individuals the Treasurer does business with, nor shall the Commission be involved in determining which investments the Treasurer purchases, but shall act only to review the actions of the Treasurer to determine that they are in accordance with the Investment Policy and all other legal requirements or regulations.

TERMS FOR FUNDS INVESTED WITH THE COUNTY INVESTMENT POOL

The Government Code requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is held responsible for overseeing, are to be invested. The Treasurer must take into account the current financial condition of the sum total of the Pools' agencies, the conditions of the marketplace, as well as the cash flow projections and the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the Pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all those affected.

Any funds deposited in accounts that are consolidated into the County Investment Pool that are not immediately required to meet cash flows of the Pool will be invested by the Treasurer or the Treasurer's staff. All Pool entities agree that by placing funds in such accounts that they agree to proportionately participate in all investments within the Investment Pool.

FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Investment Pool. Funds will earn interest based on the average daily balance distributed on a monthly basis.

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should state the nature of the funds the legislative body wishes to invest specifically, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to the general Pool participation. Should the Treasurer determine that the request for a specific investment is valid and not overly counter-productive to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution, issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time without specific permission of the Treasurer. Any such investments shall be either terminated and all funds returned to the Pool, or the securities so purchased must be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the investment in the Pool, terminate the investment at the current market value and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

MONEY VOLUNTARILY INVESTED WITH THE COUNTY INVESTMENT POOL

By Code, the County Treasurer shall limit the amounts and set conditions under which money from local agencies, not required to have their funds in the Investment Pool, may deposit and withdraw voluntarily invested funds. Local agencies from outside the County will not be permitted to deposit funds in the County Pool. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, will not be accepted under normal conditions unless the Treasurer is assured that these funds are in lieu of longer-term investments. Such deposits are subject to withdrawal restrictions for a set minimal term as to be agreed to, prior to the funds being accepted into the Pool. Total amount of deposited funds may not be withdrawn at any time without a minimum of thirty days notice of "intent to withdraw."

Before a local agency withdraws monies from the Fund, it must submit a withdrawal request a minimum of 2 working days prior to the desired withdrawal date. Although not encouraged, shorter notice may be honored at the discretion of the County Treasurer's Office if the withdrawal does not cause the Fund to fall out of compliance with its maturity policy or jeopardize its ability to meet cash flow requirements.

Under normal conditions, voluntary money withdrawn from the Pool will be disbursed on a dollar for dollar basis, plus appropriate interest, but under adverse market conditions, when the Treasurer deems the withdrawal of voluntary funds would cause undue losses or significantly lower earnings for those local agencies remaining within the Pool, the Treasurer may require one or more of three remedies:

1) restrict the percentage of funds that may be withdrawn in any given month 2) restrict the rate at which the funds may be withdrawn, or 3) require the local agency withdrawing their funds to accept their funds based on the current market value of the overall Pool.

These terms will be agreed to and contracts signed prior to any voluntary money being accepted into the County Investment Pool. Such terms may exceed minimum requirements set forth in the Government Codes.

Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

POOLING FUNDS AND DISTRIBUTING EARNINGS

Funds available from all sources may be pooled in order to achieve greater investment potential. The earnings from the pooled investments shall be deposited in a dedicated fund. Each month, accrued interest will be distributed to each participant in the Pool proportional to their average daily balance in the pool during the month.

Funds placed in specific investments earn the yield of the investment, not the return earned by the Pool. Earnings on specific investments will be distributed within thirty days of receipt. The Treasury will charge the cost of administration against the earnings of the specific investment.

CALCULATING AND APPORTIONING COSTS

The County Treasurer, following the criteria outlined by the Federal Office of Management and Budget Circular A-87, will determine the “administrative cost” of investing or handling of funds as well as the cost of equipment which expedites processing. This cost shall be deducted prior to interest apportionment and shall be shared proportionately by all pooled and specific investments.

REPORTING

The Treasurer will report to the Board of Supervisors and the Treasury Oversight Commission on a quarterly basis the holdings, status, and earnings of the portfolio. The Statement of Investment Policy will be reviewed by the Treasury Oversight Commission and adopted by the County Board of Supervisors annually. Should circumstances require revision within this Policy during the year, the changes will be presented to the Treasury Oversight Commission, and approval obtained from the Board of Supervisors prior to these alterations being adopted.

The Treasurer reports monthly to the County Board of Supervisors all investment transactions completed in the prior month.

The Auditor reports quarterly to the County Board of Supervisors the results of their regular cash audit of the Treasury.

EXHIBIT A

Allowable Investment Instruments per State Government Code

	INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
A	LOCAL AGENCY BONDS	5 YEARS	NONE	NONE
B	U.S. TREASURY OBLIGATIONS	5 YEARS	NONE	NONE
C	STATE OBLIGATIONS –CA AND OTHERS	5 YEARS	NONE	NONE
D	CA LOCAL AGENCY OBLIGATIONS	5 YEARS	NONE	NONE
E	US AGENCY OBLIGATIONS	5 YEARS	NONE	NONE
F	BANKERS' ACCEPTANCES	180 DAYS	40%	NONE
G	COMMERICAL PAPER (Non-Pooled Funds under $100,000,000 of investments)	270 DAYS	25%	Highest letter and number rating by an NRSRO*
H	COMMERCIAL PAPER (Pooled Funds)	270 DAYS	40%	Highest letter and number rating by an NRSRO*
I	NEGOTIABLE CERTFICATES OF DEPOSIT	5 YEARS	30%	NONE
J	NON-NEGOTIABLE CERTIFICATES OF DEPOSIT	5 YEARS	NONE	NONE
K	PLACEMENT SERVICE DEPOSITS	5 YEARS	50%	NONE
L	PLACEMENT SERVICE CERTIFICATES OF DEPOSIT	5 YEARS	50%	NONE
M	REPURCHASE AGREEMENTS	1 YEAR	NONE	NONE
N	REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS	92 DAYS	20% OF THE BASE VALUE OF THE PORTFOLIO	NONE
O	MEDIUM-TERM NOTES	5 YEARS	30%	"A" Rating
P	MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS	N/A	20%	MULTIPLE
Q	COLLATERALIZED BANK DEPOSITS	5 YEARS	NONE	NONE
R	MORTGAGE PASS-THROUGH SECURITIES	5 YEARS	20%	"AA" RATING

EXHIBIT A

Allowable Investment Instruments per State Government Code

	AND ASSET -BACKED SECURITIES			
S	COUNTY POOLED INVESTMENT FUNDS	N/A	NONE	NONE
T	JOINT POWERS AUTHORITY POOL	N/A	NONE	MULTIPLE
U	LOCAL AGENCY INVESTMENT FUND (LAIF)	N/A	NONE	NONE
V	VOLUNTARY INVESTMENT PROGRAM FUND	N/A	NONE	NONE
W	SUPRANATIONAL OBLIGATIONS	5 YEARS	30%	“AA” RATING
X	PUBLIC BANK OBLIGATIONS	5 YEARS	NONE	NONE

***NRSRO (“Nationally Recognized Statistical Ratings Organization”) An NRSRO is a credit rating agency that provides an assessment of the creditworthiness of a firm or financial instrument(s) that is registered and approved by the Securities and Exchange Commission (SEC).**

EXHIBIT B

Temporary Constraints and Restrictions on Santa Cruz County Investments

A. **Bonds issued by the County or County Agencies.** The Treasurer may purchase debt issued by the County or its agencies, but any such debt purchased will normally be obtained only directly from the issuing agency and not in the secondary market. Such issues, along with issues from ‘C’ and ‘D’ below, shall not exceed 10% of the total portfolio.

B. **US Treasury obligations.** The Treasurer currently invests in US Treasury obligations. US Treasuries provide the greatest liquidity in the market and should be a preferred investment for their very strong liquidity and high credit quality. There is no limit on the percentage of the portfolio in US Treasuries.

C. **State of California Obligations.** The Treasurer may invest in state obligations, including notes, bonds, or other instruments of the State of California. Interest bearing state issued warrants as an investment alternative are permissible investments. Such issues, along with issues from ‘A’ and ‘D’ below, shall not exceed 10% of the total portfolio.

D. **Obligations of another California local agency.** The Treasurer does not currently purchase these securities due to tax considerations, but may purchase taxable issues. The total of such issues, along with issues from ‘A’ and ‘C’ above, shall not exceed 10% of the overall portfolio. LAIF investments (see ‘U’ below) shall not be included when calculating this percentage, nor shall investments in joint powers authority pools (see ‘T’ below) that resemble money market mutual funds such as CAMP and CALTRUST. Maximum investments in LAIF shall be governed by the maximum permitted by the State. Neither of these limits shall include specific investments or individual local agency’s investments of bond proceeds not made through the pool.

E. **Obligations of the various Federal Agencies.** The Treasurer currently does not invest in any long-term pooled securities issued by GNMA, FHLMC, SBA, or any federal agency with a maturity based on average life calculations. Due to the frequent concerns for the safety and liquidity levels of many agency obligations, the Treasurer monitors and may restrict the purchase of any particular agency’s securities at any time. No single Government Sponsored Enterprise (GSE) will account for more than 25% of the portfolio at this time. The total of all GSEs may compose 100% of the portfolio. The GSEs referred to above include FHLMC, FNMA, FHLB and FFCB.

F. **Bankers Acceptance.** The Treasurer currently purchases bankers acceptances from those banks rated “AA” or higher by both Moody’s and Standard and Poor’s rating agencies. Additionally, the Treasurer monitors, and therefore may possibly eliminate those banks whose marketability and liquidity may be considered suspect due to their pricing within the secondary markets. Foreign banks shall be headquartered in certain Western European countries, Canada, or Japan. For additional potential restrictions see section ‘AA’ below.

EXHIBIT B

G. **Commercial Paper (Non-Pooled Funds under $100,000,000 of investments).** The Treasurer currently does not allow the percent of commercial paper of non-pooled funds under $100,000,000 of investments to exceed 25% of the total portfolio. The Treasurer is currently only purchasing commercial paper with maturities of 90 days or less.

H. **Commercial Paper (Pooled Funds).** The Treasurer currently does not allow the percent of commercial paper of pooled funds under $100,000,000 of investments to exceed 40% of the total portfolio. The Treasurer is currently only purchasing commercial paper with maturities of 90 days or less.

I. **Negotiable Certificates of Deposit (NCD).** The Treasurer currently purchases those types of NCD permitted by the Government Codes only from banks with a long-term rating of “A" and short-term rating of A1 / P1 or better from both Moody’s and Standard and Poor’s rating agencies. Additionally, the Treasurer monitors, and therefore may possibly eliminate those banks whose marketability and liquidity may be considered suspect due to their pricing within the secondary markets. NCD issued by S&Ls, savings banks and credit unions are not currently purchased. The Treasurer currently is not purchasing NCD with maturities greater than one year.

J. **Non-Negotiable Certificates of Deposit.** The Treasurer may invest in Non-Negotiable Certificates of Deposit. Please see section ‘AA’ below for additional restrictions on non-negotiable Certificates of Deposit (CD) purchases.

K. **Placement Service Deposits.** The Treasurer may invest or participate in Placement Services. See section ‘AA’ below for restrictions on time deposits.

L. **Placement Service Certificates of Deposit.** The Treasurer may invest or participate in CD Placement Services. See section ‘AA’ below for restrictions on time deposits.

M. **Repurchase Agreements.** Repurchase agreements will only be entered into with Primary Dealers, and all collateral will be delivered to a third party designated by the Treasurer, as per state law. Due bills are not acceptable, nor, except in cases of extreme emergency, are substitutions of collateral on agreements under thirty days. The Treasurer will constantly monitor the market value of all collateral and shall require additional collateral if the market value falls to a level of 100% of the cash value invested, when Treasury Notes and Bonds are the collateral, and at higher levels for other types of collateral. Treasury Notes and Bonds will be collateralized at a minimum of 102% of market at the start of the repo, for short-term repos, and possibly at higher levels for longer-term repos, (percentage determined by market conditions, etc.). Repo agreements with Treasury Bills or other discounted securities as collateral will be priced to market and collateralized at a minimum of 102% of market, (actual percentage to be determined by collateral type, conditions, etc.). Collateral with maturities beyond five years are not acceptable, (except in certain limited cases where unrestricted ‘puts’ are included with the issue), and all collateral must meet the same requirements as purchased securities. Repurchase Agreements will not be entered into for periods longer than ninety days. Repurchase Agreement contracts will be on file for any dealer with which the County does Repos. See section ‘S’ below for other potential restrictions on Repo collateral.

EXHIBIT B

N. **Reverse Repurchase Agreements and Securities Lending Agreements.** The County Investment Policy does not allow the Treasurer to enter into reverse repurchase agreements, or lend securities.

O. **Medium Term Notes.** The Treasurer currently purchases medium term notes with a rating of "A" or higher from both Moody's and Standard and Poor's rating agencies. See section 'AA' below for additional potential restrictions on medium term notes. Medium term notes shall not exceed 30% of the portfolio.

P. **Mutual Funds and Money Market Mutual Funds.** The Treasurer currently imposes no additional restrictions on mutual fund purchases beyond those in the Codes.

Q. **Collateralized Bank Deposits.** The Treasurer currently imposes no additional restrictions on collateralized bank deposits beyond those in the Codes.

R. **Mortgage Pass-Through Securities and Asset Backed Securities.** The Treasurer does not invest in Mortgage pass-through securities nor in any collateralized mortgage investments. The Treasurer may purchase asset backed commercial paper with a maturity of less than or equal to 90 days and a short term rating of A1 / P1 / F1. The Treasurer currently does not purchase medium term notes issued by structured investment vehicles.

S. **County Pooled Investment Funds.** The Treasurer does not invest in County Pooled Investment Funds.

T. **Joint Powers Authority (JPA) Pool.** Investments in JPA investment funds shall not exceed 25% of the pool's portfolio.

U. **Local Agency Investment Fund (LAIF).** The Treasurer does invest in LAIF up to the current limit determined by the State Treasurer.

V. **Voluntary Investment Program Fund.** Any investment made shall require prior written approval of the Treasurer.

W. **Supranational Obligations.** The Treasurer may purchase United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank eligible for purchase and sale within the United States. The issue shall be rated "AA" or better by an NRSRO* and shall not exceed 30 percent of the portfolio.

X. **Public Bank Obligations.** Any investment made shall require prior written approval of the Treasurer.

EXHIBIT B

AA. **Exposure Limits.** Presently the total exposure to any one issuer, when totaling all types of securities shall not exceed 10% of the total portfolio on date of purchase. Exceptions to this limit shall include US Treasury issues, federal agency or government sponsored enterprise issues, and funds in LAIF. Repurchase agreement collateral shall not be excluded from this calculation unless the repurchase agreement is for 5 business days or less. Exposure to the overall credit of individual foreign countries shall be monitored and maintained at prudent levels.

BB. **Futures and Options.** The County Investment Policy does not allow the Treasurer to invest in futures or options. The purchase of callable securities is permitted.

CC. **Maturities over Three Years.** Any investment made with a maturity exceeding three years shall require prior written approval of the Treasurer. The Treasurer may provide temporary exemptions for specific employees for a period not to exceed one year such that each individual investment shall not require specific approval.

DD. **Calculating Limits.** State law states that all required percentages included within investment related sections of the Government Codes are only binding on the day the investment is made, and that future changes in the size of the portfolio do not require the Treasurer to readjust the total percentage of each security type within the portfolio to reflect the change in size. Neither is it necessary to sell an investment when changes occur such that the security no longer meets the minimum requirements of the Codes or the Codes are changed such as to no longer include certain current holdings. The Treasurer shall weigh the change in risk and determine whether or not a security should be sold within the portfolio after a change in conditions or the Codes result in a particular security no longer meeting existing or new regulations.

*** NRSRO ("Nationally Recognized Statistical Ratings Organization") An NRSRO is a credit rating agency that provides an assessment of the creditworthiness of a firm or financial instrument(s) that is registered and approved by the Securities and Exchange Commission (SEC).**

Santa Cruz County Treasurer's

Quarterly Investment Report

For the Quarter Ended
September 30, 2024

Edith Driscoll
Auditor – Controller – Treasurer - Tax Collector

Table of Contents

MEMBERS AND AUDIT PROCESS

Treasury Oversight Commission - Commissioner List			
Representation:	*Name:*	*Member Status:*	*Title:*
Board of Supervisors	Supervisor Manu Koenig	Voting	*Board of Supervisor - 1st Distrist*
	Supervisor Felipe Hernandez	Alternate	*Board of Supervisor - 4th Distrist*
Superintendent of Schools	Dr. Faris Sabbah	Voting	*County Superintendent of Schools*
	Ms. Liann Reyes*	Alternate	*Deputy Superintendent - Business Services*
Special Districts	Mr. Chuck Farmer**	Voting	*Chief Financial Officer, Santa Cruz METRO*
	Vacant	Alternate	*Vacant*
County School Districts	Mr. Chris Shiermeyer	Voting	*Superintendent, San Lorenzo Valley USD*
	Mr. Jim Monreal	Alternate	*Asst. Superintendent - Business Services*
Public Members	Mr. David Culver	Voting	*Public Member*
	Vacant	*Alternate*	*Vacant*

*** Treasury Oversight Commission Chairperson**

**** Treasury Oversight Commission Vice Chairperson**

The Office of the Santa Cruz County Auditor-Controller-Treasurer-Tax Collector (ACTTC) is included in the County's annual financial audit process. The County's Audit Committee selects an external audit firm to perform the annual audit which includes a review of the internal controls of the County and the ACTTC. Additionally, in compliance with Section 26920 of the Government Code of the State of California, four quarterly audits are performed by the county auditor to review the Treasurer's statement of assets in the county treasury. These audits include manual cash counts, verification of records, and a report to the Board of Supervisors in accordance with the appropriate professional standards, as determined by the ACTTC.

COUNTY OF SANTA CRUZ

EDITH DRISCOLL
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
(831) 454-2500 FAX (831) 454-2660

October 8, 2024

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Subject: **CERTIFICATION OF LIQUIDITY**

Dear Members of the Board:

This report shows the investment activity for the quarter ending September 30, 2024 of pooled funds on deposit with the Treasurer and that it is in compliance with California Government Code Sections 27000 et seq., 53600 et seq., and the County's 2024 Investment Policy.

Attached are summaries of the Portfolio Structure, Investment Details, Securities Activity by Brokers, and other information to provide a better understanding of the investment activity that has occurred through September 30, 2024.

Pursuant to Government Code § 53646(b)(3), I certify that because of the liquidity of the pool and the county's issuance of Teeter Notes and TRANs, the county has the ability to meet the pool's expenditure requirements for the next six months.

Respectfully submitted,

DocuSigned by:
Edith Driscoll
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EDITH DRISCOLL
Auditor-Controller-Treasurer-Tax Collector
10/9/2024

Santa Cruz County Treasurer's Portfolio
As of September 30, 2024

ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO (5)	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
U.S. Treasuries										
US Treasury	19,577,932.89	19,965,504.81	5.26%	20,000,000.00	19,967,400.00	1.71%	100.00%	04/03/24	10/15/24	Aaa/AA+/AAA
US Treasury	26,270,202.61	26,696,551.34	5.14%	27,000,000.00	26,733,240.00	2.29%	100.00%	04/10/24	01/15/25	Aaa/AA+/AAA
US Treasury	26,575,042.07	26,771,346.60	5.13%	27,000,000.00	26,817,480.00	2.30%	100.00%	04/10/24	01/31/25	Aaa/AA+/AAA
US Treasury	49,828,464.67	49,889,724.59	4.50%	50,000,000.00	49,957,714.67	4.28%	100.00%	09/05/24	05/15/25	Aaa/AA+/AAA
US Treasury	33,736,741.17	33,990,712.09	4.80%	35,000,000.00	34,111,711.48	2.92%	100.00%	08/02/24	05/31/25	Aaa/AA+/AAA
US Treasury	50,898,909.68	49,823,879.08	5.12%	50,000,000.00	50,175,000.00	4.28%	100.00%	06/27/24	06/30/25	Aaa/AA+/AAA
US Treasury	19,352,581.52	19,668,269.23	5.15%	20,000,000.00	19,840,400.00	1.69%	100.00%	09/26/23	08/15/25	Aaa/AA+/AAA
US Treasury	13,329,092.97	13,875,635.70	5.01%	15,000,000.00	14,197,800.00	1.19%	100.00%	10/18/23	08/31/26	Aaa/AA+/NA
US Treasury	30,737,564.04	30,332,711.59	4.04%	30,000,000.00	30,564,900.00	2.61%	100.00%	12/28/23	10/15/26	Aaa/AA+/NA
US Treasury	19,106,521.74	19,148,572.91	4.39%	20,000,000.00	19,554,000.00	1.64%	100.00%	12/12/23	07/31/27	Aaa/AA+/NA
US Treasury	19,318,260.65	19,327,287.37	4.39%	20,000,000.00	19,752,400.00	1.66%	100.00%	12/12/23	08/31/27	Aaa/AA+/NA
US Treasury	17,592,561.14	17,926,162.00	4.33%	20,000,000.00	18,376,600.00	1.54%	100.00%	12/12/23	06/30/28	Aaa/AA+/NA
US Treasury	17,794,505.49	18,044,942.36	4.03%	20,000,000.00	18,335,200.00	1.55%	100.00%	01/31/24	10/31/28	Aaa/AA+/NA
US Treasury	17,794,505.49	14,844,555.61	4.02%	15,000,000.00	15,100,800.00	1.27%	100.00%	01/31/24	12/31/28	Aaa/AA+/NA
Total US Treasuries	**361,912,886.13**	**360,305,855.28**	**4.70%**	**369,000,000.00**	**363,484,646.15**	**30.95%**				
U.S. Government Agencies										
Federal Farm Credit Bank	20,043,100.00	20,002,956.86	0.32%	20,000,000.00	19,756,200.00	1.72%	100.00%	01/27/21	01/15/25	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	20,000,000.00	20,000,000.00	4.05%	20,000,000.00	19,931,400.00	1.72%	100.00%	08/15/22	08/15/25	Aaa/AA+/AAA
Fed.Home Loan Mtg.Corp	14,965,593.75	14,990,125.07	0.44%	15,000,000.00	14,479,950.00	1.29%	100.00%	12/22/20	09/23/25	Aaa/AA+/AAA
Federal Home Loan Bank	15,000,000.00	15,000,000.00	1.15%	15,000,000.00	14,217,300.00	1.29%	100.00%	10/28/21	10/28/26	Aaa/AA+/AAA
Fannie Mae	4,002,377.78	4,002,377.78	5.35%	4,000,000.00	4,005,817.78	0.34%	100.00%	06/10/24	06/04/27	Aaa/AA+/AA+
Fannie Mae	27,000,000.00	27,000,000.00	5.26%	27,000,000.00	27,003,780.00	2.32%	100.00%	06/10/24	06/10/27	Aaa/AA+/AA+
Total Government Agencies	**101,011,071.53**	**100,995,459.71**	**2.72%**	**101,000,000.00**	**99,394,447.78**	**8.67%**				
Supranationals										
Int Bank of Recon & Development	15,021,614.58	15,000,000.00	0.63%	15,000,000.00	14,692,800.00	1.29%	30.00%	07/15/21	04/22/25	Aaa/AAA/NA
Int Bank of Recon & Development	17,942,900.00	17,980,627.10	0.60%	18,000,000.00	17,333,280.00	1.54%	30.00%	02/18/21	10/28/25	Aaa/AAA/NA
Internal Bank of Reconstruction an	20,000,000.00	20,000,000.00	4.60%	20,000,000.00	20,028,020.00	1.72%	30.00%	02/16/24	02/16/29	Aaa/AAA/NA
International Bank of Reconstructio	25,000,000.00	25,000,000.00	4.82%	25,000,000.00	25,000,000.00	2.15%	30.00%	04/10/24	03/27/29	Aaa/AAA/NA
Total Supranationals	**77,964,514.58**	**77,980,627.10**	**2.99%**	**78,000,000.00**	**77,054,100.00**	**6.70%**				
Medium Term Notes										
Toyota Motor Corp	9,483,819.44	9,900,679.17	5.14%	10,000,000.00	9,908,900.00	0.85%	30.00%	07/20/23	01/13/25	A1/A+/A+
Microsoft	17,665,053.60	17,550,384.07	2.60%	17,544,000.00	17,426,806.08	1.51%	30.00%	04/06/22	02/12/25	Aaa/AAA/AAA
Bank of America	10,000,000.00	10,000,000.00	2.35%	10,000,000.00	9,866,000.00	0.86%	30.00%	03/10/22	03/10/25	A2/A-/AA-
Intel Corporation	9,945,250.00	9,905,776.41	4.91%	10,000,000.00	9,906,900.00	0.85%	30.00%	07/20/23	07/29/25	A2/A/A-
Toyota Motor Corp	29,659,732.88	29,462,196.09	4.62%	29,705,000.00	29,579,347.85	2.53%	30.00%	01/02/24	08/18/25	A1/A+/A+
Toyota Motor Corp	9,170,222.22	9,605,995.06	4.84%	10,000,000.00	9,654,200.00	0.83%	30.00%	07/17/23	10/16/25	A1/A+/A+
Apple Inc	9,123,316.67	9,520,085.56	4.50%	10,000,000.00	9,586,600.00	0.82%	30.00%	07/17/23	02/08/26	Aaa/AA+/NA
Merck & Co Inc	4,970,725.00	4,989,750.19	0.90%	5,000,000.00	4,785,650.00	0.43%	30.00%	09/24/21	02/24/26	A1/A+/A+
Intel Corporation	23,886,961.11	24,049,827.83	5.25%	25,000,000.00	24,328,111.11	2.07%	30.00%	06/27/24	05/19/26	A3/A-/A-
JP Morgan	15,000,000.00	15,000,000.00	5.25%	15,000,000.00	15,053,700.00	1.29%	30.00%	06/12/26	06/12/26	A1/A-/A
Bank of America	10,003,055.56	10,000,000.00	5.50%	10,000,000.00	9,973,700.00	0.86%	30.00%	03/27/24	03/25/27	A1/A-/AA-
Toyota Motor Credit	24,875,000.00	24,875,462.53	3.88%	25,000,000.00	24,964,750.00	2.14%	30.00%	09/27/24	09/28/27	A1/A+/A+
Bank of America	10,000,000.00	10,000,000.00	5.50%	10,000,000.00	10,073,800.00	0.86%	30.00%	04/19/24	04/19/28	A1/A-/AA-
Toyota Motor Corp	20,000,000.00	20,000,000.00	5.00%	20,000,000.00	19,754,140.00	1.72%	30.00%	01/24/24	07/26/28	A1/A+/A+
JP Morgan	15,000,000.00	15,000,000.00	6.00%	15,000,000.00	15,038,850.00	1.29%	30.00%	05/18/23	11/15/28	A1/A-/A
Toyota Motor Credit Corp	25,000,000.00	25,000,000.00	5.00%	25,000,000.00	25,234,750.00	2.15%	30.00%	07/24/24	07/24/29	A1/A+/A+
Total Medium Term Notes	**243,783,136.48**	**244,860,156.91**	**4.59%**	**247,249,000.00**	**245,136,205.04**	**21.03%**				

Santa Cruz County Treasurer's Portfolio
As of September 30, 2024

ISSUER	COST	BOOK VALUE	YIELD	PAR VALUE	MARKET VALUE (1)	% of PORTFOLIO (5)	% ALLOWED	PURCHASE DATE	MATURITY DATE	CREDIT RATING (2)
Negotiable CDs										
Toronto Dominion Bank	50,000,000.00	50,000,000.00	5.32%	50,000,000.00	50,000,500.00	4.29%	30.00%	01/03/24	10/02/24	P1/A1+/F1
Standard Chartered Bank	30,000,000.00	30,000,000.00	5.44%	30,000,000.00	30,097,800.00	2.58%	30.00%	06/05/24	02/28/25	P1/A1/F1
BNP Paribas NY	50,000,000.00	50,000,000.00	4.72%	50,000,000.00	50,073,500.00	4.29%	30.00%	09/06/24	05/06/25	P1/A1/F1
Standard Chartered Bank NY	25,000,000.00	25,000,000.00	4.24%	25,000,000.00	24,993,500.00	2.15%	30.00%	09/26/24	07/24/25	P1/A1/F1
Total Negotiable CDs	**155,000,000.00**	**155,000,000.00**	**4.97%**	**155,000,000.00**	**155,165,300.00**	**13.31%**				
Municipal Bonds										
State of California	15,109,085.00	15,143,965.61	4.15%	15,200,000.00	15,130,536.00	1.30%	100.00%	01/20/23	04/01/25	Aa2/AA-/AA
University of Calif	9,430,824.50	8,734,994.71	0.92%	8,600,000.00	8,528,964.00	0.75%	100.00%	04/01/21	07/01/25	Aa2/AA/AA
Suc Agc City & County San Fran	4,299,555.00	4,261,383.23	1.23%	4,250,000.00	4,154,715.00	0.37%	100.00%	12/15/21	08/01/25	NA/AA/NA
Cabrillo Comm College GO	1,172,879.19	1,202,528.99	3.50%	1,215,000.00	1,196,301.15	0.10%	100.00%	08/25/22	08/01/25	Aa2/AA/NA
HAWAII ST	10,004,713.06	10,000,000.00	0.89%	10,000,000.00	9,468,300.00	0.86%	100.00%	08/20/21	08/01/26	Aa2/AA+/AA
Los Angeles Community College	5,000,507.78	4,993,598.47	1.25%	5,000,000.00	4,751,100.00	0.43%	100.00%	11/15/21	08/01/26	Aaa/AA+/NA
University of Calif	6,284,390.00	6,528,586.29	4.13%	7,000,000.00	6,552,630.00	0.56%	100.00%	05/22/23	05/15/27	Aa2/AA/AA
University of Calif	2,706,569.00	2,807,021.96	3.99%	3,000,000.00	2,808,270.00	0.24%	100.00%	05/18/23	05/15/27	Aa2/AA/AA
State of California	13,090,641.67	13,491,009.65	5.10%	15,000,000.00	14,046,900.00	1.16%	100.00%	05/18/23	02/01/28	Aa2/AA-/AA
Total Municipal Bonds	**67,099,165.20**	**67,163,088.91**	**3.02%**	**69,265,000.00**	**66,637,716.15**	**5.77%**				
Checking (4)										
US Bank Checking	11,715,334.24	11,715,334.24	0.00%	11,715,334.24	0.00	0.00%	100.00%	NA	NA	NA/NA/NA
Total Checking	**11,715,334.24**	**11,715,334.24**	**0.00%**	**11,715,334.24**	**0.00**	**0.00%**				
Money Market Funds (3)										
US Bank CDA	NA	50,000,000.00	5.06%	50,000,000.00	50,000,000.00	4.29%	20.00%	NA	NA	NA/NA/NA
Bank of the West MMF	NA	10,000,000.00	4.29%	10,000,000.00	10,000,000.00	0.86%	100.00%	NA	NA	NA/NA/NA
US Bank	NA	0.00	4.90%	0.00	0.00	0.00%	100.00%	NA	NA	NA/NA/NA
Total Money Market Funds	**0.00**	**60,000,000.00**	**4.93%**	**60,000,000.00**	**60,000,000.00**	**5.15%**				
Miscellaneous Investments										
LAIF (General Fund)	NA	10,000.00	4.57%	10,000.00	10,000.00	0.00%	10.00%	NA	NA	NA/NA/NA
CAMP	NA	98,000,000.00	5.29%	98,000,000.00	98,000,000.00	8.42%	25.00%	NA	NA	NA/AAAm/NA
Total Misc. Investments	**0.00**	**98,010,000.00**	**5.29%**	**98,010,000.00**	**98,010,000.00**	**8.42%**				
GRAND TOTAL	**$1,018,486,108.16**	**$1,176,030,522.15**	**4.35%**	**$1,189,239,334.24**	**$1,164,882,415.12**	**100%**				

(1) Market Value pricing obtained from US Bank safekeeper (custodial bank)
(2) Split ratings reflect ratings from Moodys, S&P, and Fitch
(3) Money Market Mutual Fund/LAIF balances do not include current month interest
(4) Checking account balances excluded in other reports to focus on investment performance
(5) Percentage calculated based off of Book Value

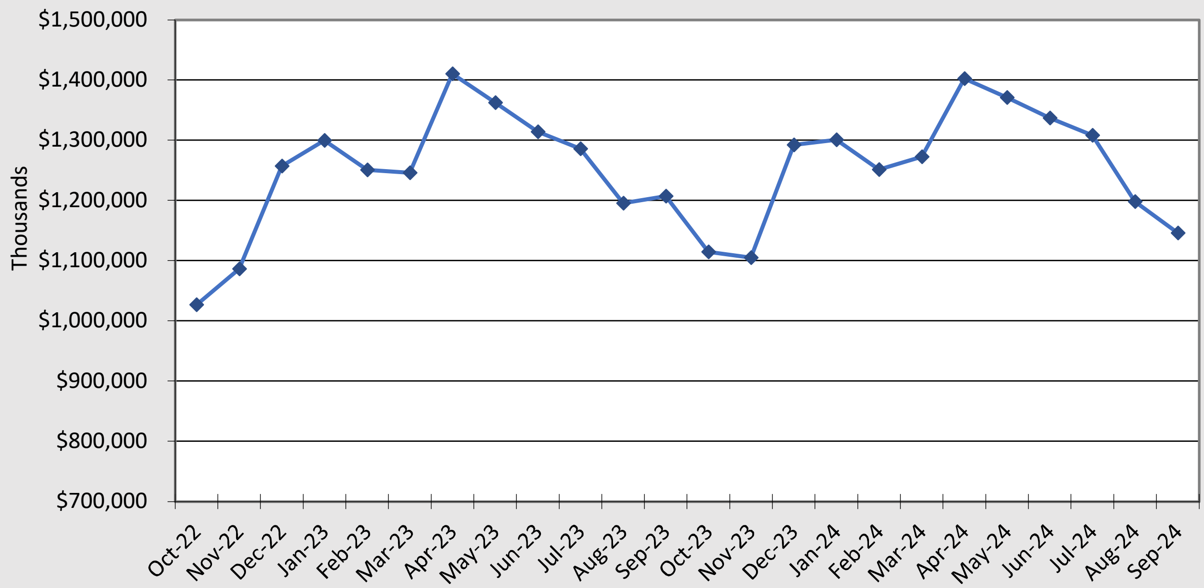
County of Santa Cruz Investment Pool

Portfolio Size and Composition

September 30, 2024

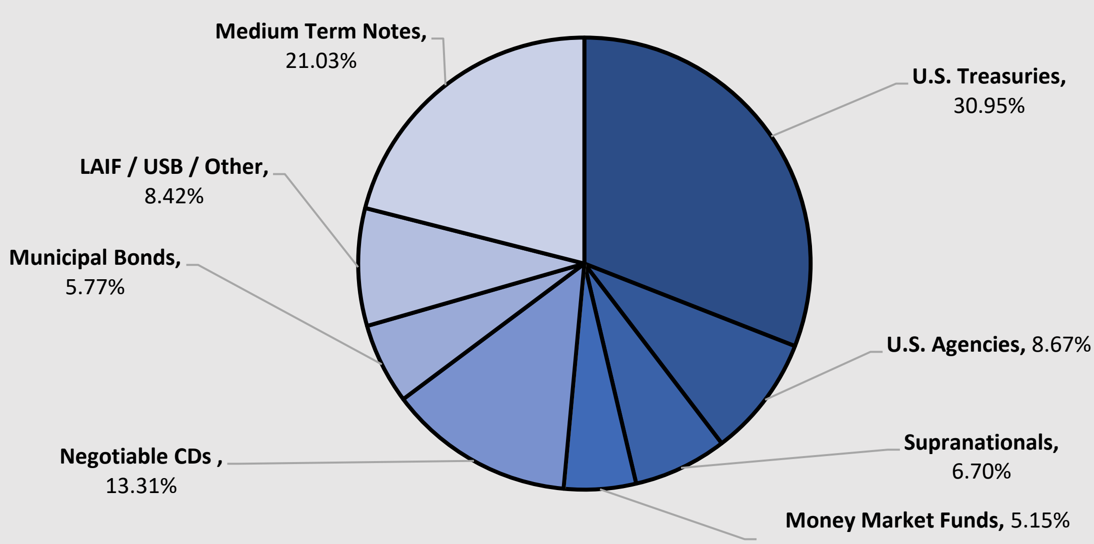
Monthly Portfolio Balance Trend

Historic review of monthly balance trends from October 2022 to September 2024. Two years ago, portfolio balances were approximately $1.03 billion compared to our reported amount of $1.15 billion.



Portfolio Composition

Investment breakdown of the County Investment Pool as of September 2024. U.S Treasury and U.S Agency bonds are approximately 40% of the portfolio. Treasury bonds are one of the safest and most liquid investments in the United States, rated as prime/high investment grade securities.



County of Santa Cruz Investment Pool

Portfolio Net Yield

September 30, 2024

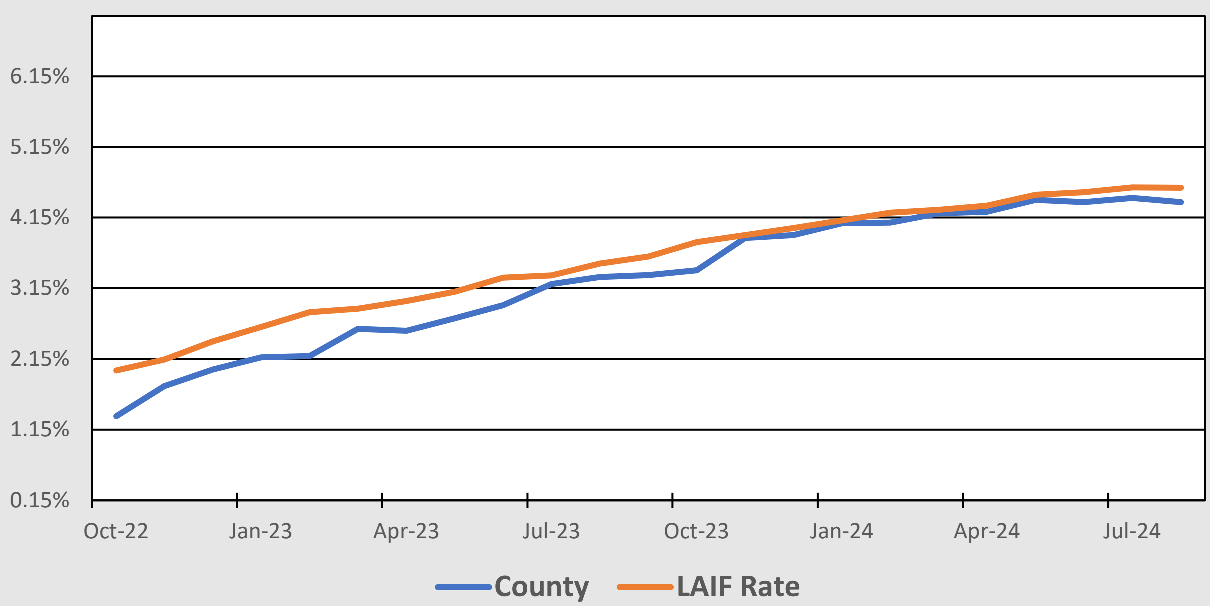
Apportionment Rate History

Current and historic review of the County Investment Pool with our closest benchmark, LAIF (Local Agency Investment Fund) managed by the State of California. As of September 2024, the apportionment rate of the County Investment Pool is a 4.37% yield, versus a 4.57% yield from LAIF.

Date	*County*	*LAIF*	*Difference*
Sep-23	3.31%	3.50%	-0.19%
Oct-23	3.34%	3.60%	-0.26%
Nov-23	3.40%	3.80%	-0.40%
Dec-23	3.86%	3.90%	-0.04%
Jan-24	3.90%	4.00%	-0.10%
Feb-24	4.07%	4.11%	-0.04%
Mar-24	4.08%	4.22%	-0.14%
Apr-24	4.21%	4.26%	-0.05%
May-24	4.23%	4.32%	-0.09%
Jun-24	4.40%	4.47%	-0.07%
Jul-24	4.37%	4.51%	-0.14%
Aug-24	4.43%	4.58%	-0.15%
Sep-24	4.37%	4.57%	-0.20%

Net Yield Trend

Yields are tracked on a monthly basis between the County Investment Pool (blue) and LAIF (orange), our closest benchmark. Participants of LAIF are exclusively California Local Agencies and Special Districts, per section 16429.1 of the CA gov code. LAIF's investment portfolio is over $30 billion.



County of Santa Cruz Investment Pool

Maturity Distribution

September 30, 2024

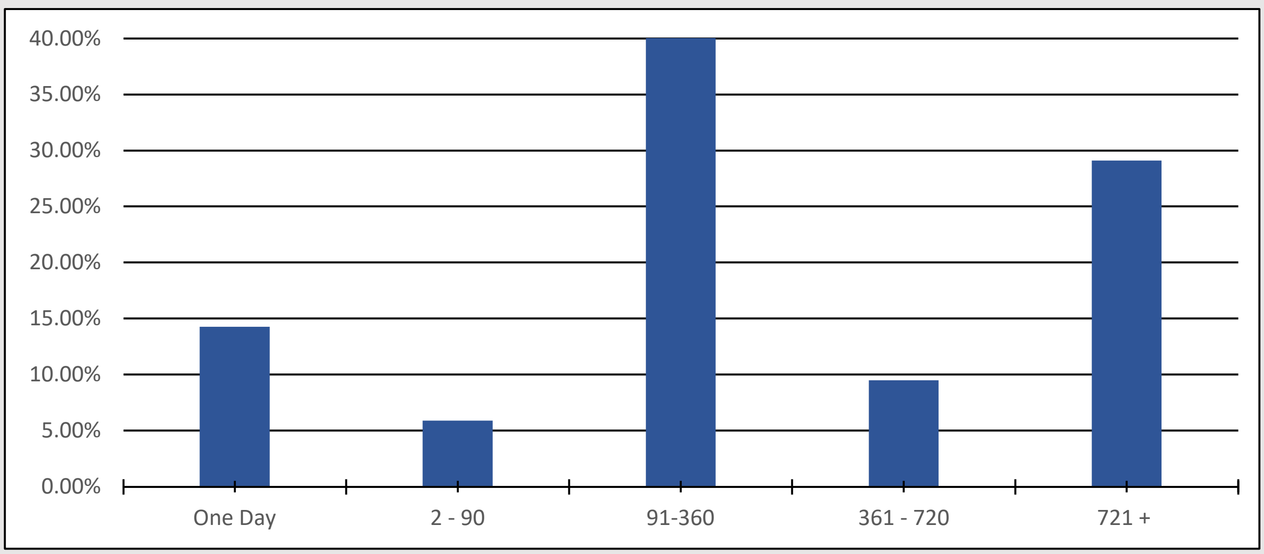
Maturity Classification and Liquidity Review

Investment breakdown based on maturity, as of September 2024. Upon maturity date, the portfolio will receive the investment's face value in cash. These values inherently effect the portfolio's WAM (Weighted Average Maturity) calculated in days, as well as the overall Duration. As of September 30, 2024, the portfolio's average investment takes approximately 514 days to mature.

Category:	***Current Reported Values:***	***Historic Values:*** *Last Quarter | Last Year | Last 2 yrs.*		
	September 30, 2024	***6/30/24***	***9/30/23***	***9/30/22***
One Day	14.27%	22.18%	27.56%	5.69%
2 - 90	5.89%	20.70%	16.04%	4.04%
91-360	41.25%	17.06%	32.26%	38.14%
361 - 720	9.50%	17.06%	13.10%	36.66%
721 +	29.09%	23.00%	11.04%	15.47%
WAM	514	425	256	467
Duration	1.43	1.18	0.71	1.3

Portfolio Maturity Distribution

Current allocation of maturities as of September 2024. Most fixed-income investments mature within the age range of 91 - 360 days. The County Investment Pool is currently very liquid, holding around 20.2% of Cash, and Cash-Equivalent securities (bonds and other investments maturing within 90 days).



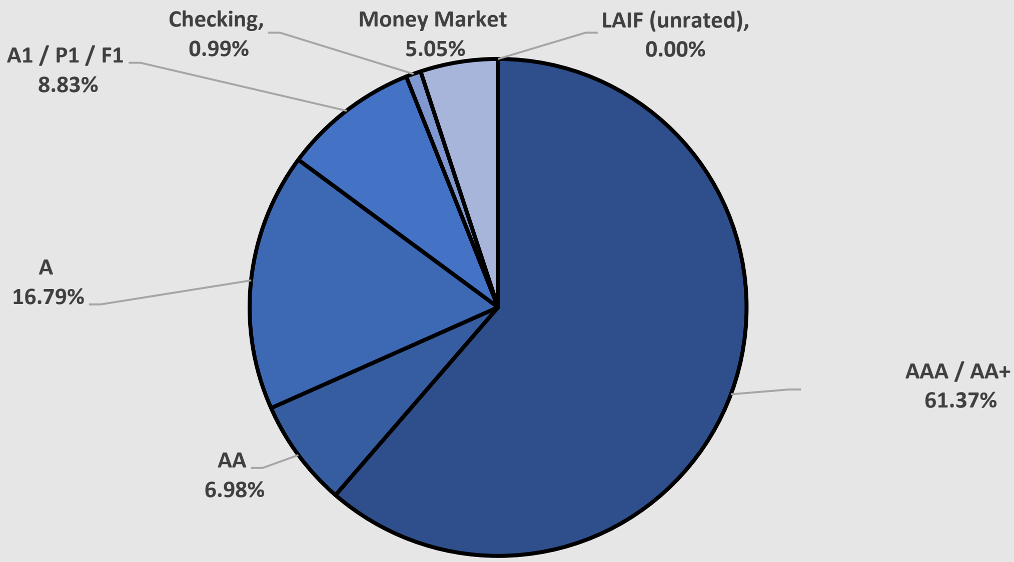
County of Santa Cruz Investment Pool

Credit Quality

September 30, 2024

Credit Rating Composition

Safety is the primary objective within the County Investment Pool, and CA state codes 27000.5 and 53600.5. As of September 2024, 70% of the portfolio is invested in the highest rated securities (AAA for long term, and A1 / P1 / F1 for short term). Counties within the State of California have strict investment standards and can only invest in highly rated, investment grade securities.



Credit Breakdown

Current and historic values based on credit rating and outstanding cash accounts. The State of California's LAIF fund is unrated, but is governed by the same investment restrictions as the County Investment Pool, per CA government codes 16430 and 16480.4.

Rating Category	***Current Reported Values:***		***Historic Values:*** *Last Quarter | Last Year | Last 2 yrs.*		
	September 30, 2024		***6/30/24***	***9/30/23***	***9/30/22***
	$ (mm)	***%***			
AAA / AA+	$ 730	61.37%	68.38%	68.74%	81.35%
AA	$ 83	6.98%	5.86%	10.79%	7.51%
A	$ 200	16.79%	10.56%	4.57%	0.75%
A1 / P1 / F1	$ 105	8.83%	8.54%	9.49%	4.70%
Checking	$ 12	0.99%	1.86%	0.74%	1.45%
Money Market	$ 60	5.05%	4.23%	5.67%	4.24%
LAIF (unrated)	$ 0	0.00%	0.57%	0.00%	0.00%

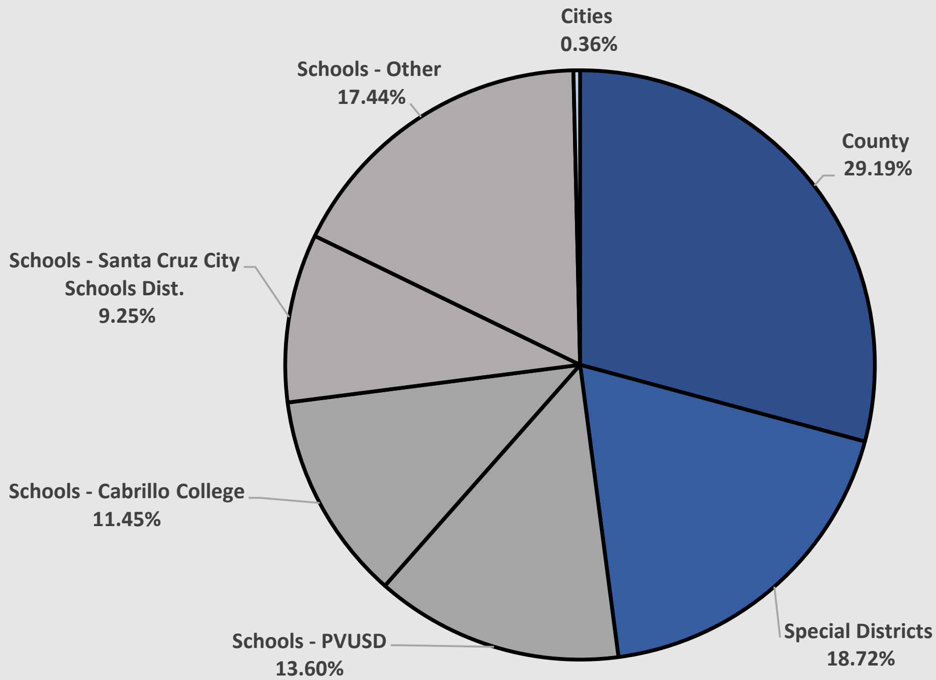
County of Santa Cruz Investment Pool

Source of Funds

September 30, 2024

Source of Funds Composition

The County Investment Pool is composed of four main participants: County School Districts, Special Districts within Santa Cruz County, County Funds, and Cities within Santa Cruz County.



Funds Breakdown

The largest participant with the highest deposited funds is the Schools category. This category holds 52% of the County Investment Pool. The second largest participant is the County category, which consists of around 29% of the County Investment Pool.

Participant Category	***Current Reported Values:***	***Historic Values:*** *Last Quarter | Last Year | Last 2 yrs.*		
	September 30, 2024	***6/30/2024***	***9/30/2023***	***9/30/2022***
County	29.19%	30.35%	30.13%	31.84%
Special Districts	18.72%	18.30%	17.87%	19.83%
Schools	51.73%	51.04%	51.65%	48.02%
Cities	0.36%	0.31%	0.34%	0.31%

DETAILED LIST OF INVESTMENTS OUTSTANDING

As of September 30, 2024

REPORT DESCRIPTION

The **Detailed List of Investments Outstanding** lists active investments in the portfolio on a specific date providing information on the market values, book values, interest rates and yields. It is arranged so that the securities of the same type are grouped together. What follows is a description of the abbreviations used in the report.

CUSIP – The CUSIP number is a 9-character alphanumeric code which identifies a North American financial security for the purposes of facilitating clearing and settlement of trades.

INVESTMENT NUMBER – This is a unique system-generated number assigned to the security. Assigned by the County for internal identification purposes.

ISSUER – The issuer named is the name of the institution which issued the bond.

PURCHASE DATE – This is the date on which the security was purchased.

PAR VALUE – The nominal or face vale of a bond. This is the amount that will be received at maturity with accrued interest. It is also the amount that is used in calculating the interest received on the bond.

MARKET VALUE – Market value is the dollar amount the security could have been sold for on the report date. By comparing this number to the book value one is able to determine what, if any, loss or gain we would realize if we were to sell the bond in the open market.

BOOK VALUE – The original cost for each investment adjusted for amortization of premiums or accretions of discounts to the date of the report. Amortizations and accretions are calculated on a straight line basis.

STATED RATE – In most cases this is the coupon rate (rate of interest) set on a bond at the issue date by the issuer. If the security has no coupon (discount note, UST Bill or CP) then the stated rate is the yield to maturity on the date that the bond is purchased. The stated rate is not intended for comparing yields between different investments because the item may have been purchased at a discount or premium to par.

YTM – This is the Yield to Maturity. This is what the yield will be on the bond if it is held to maturity.

DAYS TO MATURITY – This is the number of days remaining between the report date and the maturity date.

MATURITY DATE – The maturity date is the date when a bond matures. On the maturity date an issuer of a security will pay the holder of the security the par value plus any accrued interest earned on the security from the date of last distribution.

County of Santa Cruz
Portfolio Management
Portfolio Summary
September 30, 2024

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
U.S. Treasury Notes/ Bonds	369,000,000.00	363,484,646.15	360,305,855.28	30.95	719	535	4.638	4.702
Federal Agency Issues - Coupon	101,000,000.00	99,394,447.78	100,995,459.71	8.67	1,369	551	2.684	2.721
Medium Term Notes	247,249,000.00	245,136,205.04	244,860,156.91	21.03	1,128	798	4.532	4.595
Negotiable CDs	155,000,000.00	155,165,300.00	155,000,000.00	13.31	267	147	4.906	4.974
Municipal Bonds	69,265,000.00	66,637,716.15	67,163,088.91	5.77	1,402	628	2.974	3.015
Local Agency Investment Fund (LAIF)	10,000.00	10,000.00	10,000.00	0.00	1	1	4.507	4.570
Supranationals	78,000,000.00	77,054,100.00	77,980,627.10	6.70	1,709	1,065	2.945	2.986
Money Market Mutual Funds 02	158,000,000.00	158,000,000.00	158,000,000.00	13.57	1	1	5.083	5.154
Investments	**1,177,524,000.00**	**1,164,882,415.12**	**1,164,315,187.91**	**100.00%**	**809**	**508**	**4.333**	**4.393**

Total Earnings	September 30 Period Ending
Current Year	13,738,043.18
Average Daily Balance	**1,218,042,726.91**
Effective Rate of Return	**4.47%**

Santa Cruz County Treasurer,

County of Santa Cruz
Portfolio Management
Portfolio Details - Investments
September 30, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
U.S. Treasury Notes/ Bonds												
9128283V0	22533	US Treasury N/B		04/10/2024	27,000,000.00	26,817,480.00	26,771,346.60	2.500	5.054	5.125	122	01/31/2025
912828ZT0	22540	US Treasury N/B		08/02/2024	35,000,000.00	34,111,711.48	33,990,712.09	0.250	4.737	4.802	242	05/31/2025
91282CFE6	22502	U.S.Trust		09/26/2023	20,000,000.00	19,840,400.00	19,668,269.23	3.125	5.077	5.147	318	08/15/2025
91282CCW9	22507	U.S.Trust		10/18/2023	15,000,000.00	14,197,800.00	13,875,635.70	0.750	4.936	5.005	699	08/31/2026
91282CFB2	22514	U.S.Trust		12/12/2023	20,000,000.00	19,554,000.00	19,148,572.91	2.750	4.333	4.393	1,033	07/31/2027
91282CFH9	22515	U.S.Trust		12/12/2023	20,000,000.00	19,752,400.00	19,327,287.37	3.125	4.328	4.388	1,064	08/31/2027
91282CCH2	22516	U.S.Trust		12/12/2023	20,000,000.00	18,376,600.00	17,926,162.00	1.250	4.270	4.329	1,368	06/30/2028
91282CJC6	22518	U.S.Trust		12/28/2023	30,000,000.00	30,564,900.00	30,332,711.59	4.625	3.986	4.042	744	10/15/2026
91282CDF5	22522	U.S.Trust		01/31/2024	20,000,000.00	18,335,200.00	18,044,942.36	1.375	3.976	4.031	1,491	10/31/2028
91282CJR3	22523	U.S.Trust		01/31/2024	15,000,000.00	15,100,800.00	14,844,555.61	3.750	3.966	4.021	1,552	12/31/2028
91282CDB4	22530	U.S.Trust		04/03/2024	20,000,000.00	19,967,400.00	19,965,504.81	0.625	5.184	5.256	14	10/15/2024
91282CDS7	22532	U.S.Trust		04/10/2024	27,000,000.00	26,733,240.00	26,696,551.34	1.125	5.066	5.136	106	01/15/2025
91282CHL8	22537	U.S.Trust		06/27/2024	50,000,000.00	50,175,000.00	49,823,879.08	4.625	5.045	5.115	272	06/30/2025
91282CEQ0	22541	U.S.Trust		09/05/2024	50,000,000.00	49,957,714.67	49,889,724.59	2.750	4.443	4.504	226	05/15/2025
		Subtotal and Average	**330,450,997.74**		**369,000,000.00**	**363,484,646.15**	**360,305,855.28**		**4.638**	**4.702**	**535**	
Federal Agency Issues - Coupon												
3133EMNF5	22399	Federal Farm Credit Bank		01/27/2021	20,000,000.00	19,756,200.00	20,002,956.86	0.375	0.319	0.323	106	01/15/2025
3130APGN9	22427	Federal Home Loan Bank		10/28/2021	15,000,000.00	14,217,300.00	15,000,000.00	1.150	1.134	1.150	757	10/28/2026
3137EAEX3	22398	Fed.Home Loan Mtg.Corp		12/22/2020	15,000,000.00	14,479,950.00	14,990,125.07	0.375	0.437	0.443	357	09/23/2025
3134GXK94	22475	Fed.Home Loan Mtg.Corp		08/15/2022	20,000,000.00	19,931,400.00	20,000,000.00	4.050	3.995	4.050	318	08/15/2025
3135GATN1	22535	Federal National Mort. Assoc.		06/10/2024	4,000,000.00	4,005,817.78	4,002,377.78	5.350	5.277	5.350	976	06/04/2027
3135GATR2	22536	Federal National Mort. Assoc.		06/10/2024	27,000,000.00	27,003,780.00	27,000,000.00	5.260	5.188	5.260	982	06/10/2027
		Subtotal and Average	**132,734,606.96**		**101,000,000.00**	**99,394,447.78**	**100,995,459.71**		**2.684**	**2.721**	**551**	
Medium Term Notes												
037833EB2	22493	Apple Inc		07/17/2023	10,000,000.00	9,586,600.00	9,520,085.56	0.700	4.438	4.500	495	02/08/2026
06048WT91	22457	Bank of America		03/10/2022	10,000,000.00	9,866,000.00	10,000,000.00	2.350	2.318	2.350	160	03/10/2025
06055JDV8	22528	Bank of America		03/27/2024	10,000,000.00	9,973,700.00	10,000,000.00	5.500	5.425	5.500	905	03/25/2027
06055JEC9	22529	Bank of America		04/19/2024	10,000,000.00	10,073,800.00	10,000,000.00	5.500	5.425	5.500	1,296	04/19/2028
48130CBC8	22492	Chase Bank		06/12/2023	15,000,000.00	15,053,700.00	15,000,000.00	5.250	5.178	5.250	619	06/12/2026
48130CDD4	22509	Chase Bank		11/15/2023	15,000,000.00	15,038,850.00	15,000,000.00	6.000	5.918	6.000	1,506	11/15/2028
458140AS9	22499	Intel Corporation		07/20/2023	10,000,000.00	9,906,900.00	9,905,776.41	3.700	4.842	4.909	301	07/29/2025
458140AU4	22538	Intel Corporation		06/27/2024	25,000,000.00	24,328,111.11	24,049,827.83	2.600	5.180	5.252	595	05/19/2026
58933YAY1	22425	Merck & Co Inc		09/24/2021	5,000,000.00	4,785,650.00	4,989,750.19	0.750	0.888	0.900	511	02/24/2026
594918BB9	22462	Microsoft Corp		04/06/2022	17,544,000.00	17,426,806.08	17,550,384.07	2.700	2.559	2.595	134	02/12/2025

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Medium Term Notes												
89236THP3	22495	Toyota Motor Credit Corp		07/17/2023	10,000,000.00	9,654,200.00	9,605,995.06	0.800	4.774	4.840	380	10/16/2025
89236TJT3	22498	Toyota Motor Credit Corp		07/20/2023	10,000,000.00	9,908,900.00	9,900,679.17	1.450	5.065	5.135	104	01/13/2025
89236TKF1	22519	Toyota Motor Credit Corp		01/02/2024	29,705,000.00	29,579,347.85	29,462,196.09	3.650	4.558	4.622	321	08/18/2025
89236TLQ6	22521	Toyota Motor Credit Corp		01/26/2024	20,000,000.00	19,754,140.00	20,000,000.00	5.000	4.932	5.000	1,394	07/26/2028
89236TMH5	22539	Toyota Motor Credit Corp		07/24/2024	25,000,000.00	25,234,750.00	25,000,000.00	5.000	4.932	5.000	1,757	07/24/2029
89236TMQ5	22544	Toyota Motor Credit Corp		09/27/2024	25,000,000.00	24,964,750.00	24,875,462.53	3.700	3.825	3.878	1,092	09/28/2027
		Subtotal and Average	**214,558,232.01**		**247,249,000.00**	**245,136,205.04**	**244,860,156.91**		**4.532**	**4.595**	**798**	
Negotiable CDs												
05593DBW2	22542	BNP Paribas NY Branch		09/06/2024	50,000,000.00	50,073,500.00	50,000,000.00	4.650	4.650	4.715	217	05/06/2025
85325VNQ9	22543	Standard Chartered BK NY		09/26/2024	25,000,000.00	24,993,500.00	25,000,000.00	4.180	4.180	4.238	296	07/24/2025
85325VMV9	22534	Standard Chartered		06/05/2024	30,000,000.00	30,097,800.00	30,000,000.00	5.440	5.365	5.440	150	02/28/2025
89115BQV5	22520	Toronto Dominion Bank		01/03/2024	50,000,000.00	50,000,500.00	50,000,000.00	5.250	5.250	5.323	1	10/02/2024
		Subtotal and Average	**127,010,869.57**		**155,000,000.00**	**155,165,300.00**	**155,000,000.00**		**4.906**	**4.974**	**147**	
Municipal Bonds												
127109QB5	22477	Cabrillo Comm College GO		08/25/2022	1,215,000.00	1,196,301.15	1,202,528.99	2.194	3.452	3.500	304	08/01/2025
13063DGB8	22480	State of California		01/20/2023	15,200,000.00	15,130,536.00	15,143,965.61	3.375	4.095	4.152	182	04/01/2025
13063DC48	22504	State of California		10/06/2023	15,000,000.00	14,046,900.00	13,491,009.65	1.700	5.030	5.100	1,218	02/01/2028
419792YR1	22421	HAWAII ST		08/20/2021	10,000,000.00	9,468,300.00	10,000,000.00	0.893	0.881	0.893	669	08/01/2026
54438CYL0	22439	Los Angeles Community College		11/15/2021	5,000,000.00	4,751,100.00	4,993,598.47	1.174	1.229	1.246	669	08/01/2026
79770GJB3	22445	Suc Agc City & County San Fran		12/15/2021	4,250,000.00	4,154,715.00	4,261,383.23	1.561	1.214	1.231	304	08/01/2025
91412GU94	22410	University of Calif		04/01/2021	8,600,000.00	8,528,964.00	8,734,994.71	3.063	0.911	0.924	273	07/01/2025
91412HGF4	22489	University of Calif		05/18/2023	3,000,000.00	2,808,270.00	2,807,021.96	1.316	3.939	3.994	956	05/15/2027
91412HGF4	22490	University of Calif		05/22/2023	7,000,000.00	6,552,630.00	6,528,586.29	1.316	4.071	4.127	956	05/15/2027
		Subtotal and Average	**67,902,589.70**		**69,265,000.00**	**66,637,716.15**	**67,163,088.91**		**2.974**	**3.015**	**628**	
Local Agency Investment Fund (LAIF)												
SYS6501	6501	LAIF (General Fund)			10,000.00	10,000.00	10,000.00	4.570	4.507	4.570	1	
		Subtotal and Average	**10,044.62**		**10,000.00**	**10,000.00**	**10,000.00**		**4.507**	**4.570**	**1**	
Dividends												
SYS22423	22423	US Bank			0.00	0.00	0.00	4.830	4.830	4.897	1	
		Subtotal and Average	**208.87**		**0.00**	**0.00**	**0.00**		**0.000**	**0.000**	**0**	

County of Santa Cruz
Portfolio Management
Portfolio Details - Investments
September 30, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Treasury Discounts -Amortizing												
		Subtotal and Average	**29,712,037.81**									
Supranationals												
459058JL8	22404	Int Bank of Recon & Developmen		02/18/2021	18,000,000.00	17,333,280.00	17,980,627.10	0.500	0.593	0.602	392	10/28/2025
459058JB0	22420	Int Bank of Recon & Developmen		07/15/2021	15,000,000.00	14,692,800.00	15,000,000.00	0.625	0.616	0.625	203	04/22/2025
45906M4W8	22525	Int Bank of Recon & Developmen		02/16/2024	20,000,000.00	20,028,020.00	20,000,000.00	4.600	4.538	4.601	1,599	02/16/2029
45906M5F4	22531	Int Bank of Recon & Developmen		04/10/2024	25,000,000.00	25,000,000.00	25,000,000.00	4.824	4.758	4.824	1,638	03/27/2029
		Subtotal and Average	**77,978,398.92**		**78,000,000.00**	**77,054,100.00**	**77,980,627.10**		**2.945**	**2.986**	**1,065**	
Money Market Mutual Funds 02												
070731229	1229	Bank of the West		12/07/2022	10,000,000.00	10,000,000.00	10,000,000.00	4.290	4.231	4.290	1	
SYS011119	22302	CAMP		01/11/2019	98,000,000.00	98,000,000.00	98,000,000.00	5.290	5.218	5.290	1	
157 519 832 743	22283	US Bank MMMF		10/23/2018	50,000,000.00	50,000,000.00	50,000,000.00	5.060	4.991	5.060	1	
		Subtotal and Average	**237,684,740.72**		**158,000,000.00**	**158,000,000.00**	**158,000,000.00**		**5.083**	**5.154**	**1**	
		Total and Average	**1,218,042,726.91**		**1,177,524,000.00**	**1,164,882,415.12**	**1,164,315,187.91**		**4.333**	**4.393**	**508**	

County of Santa Cruz
Portfolio Management
Portfolio Details - Cash
September 30, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity
		Average Balance	0.00								0
		Total Cash and Investments	1,218,042,726.91		1,177,524,000.00	1,164,882,415.12	1,164,315,187.91		4.333	4.393	508

Securities Activity By Broker

A Report on the

Investment Transactions by Broker-Dealer
For the Period Indicated

County of Santa Cruz
Activity Report
Sorted By Dealer
July 1, 2024 - September 30, 2024

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Academy Securities									
U.S. Treasury Notes/ Bonds									
91282CCL3	22505	U.S.Trust			0.375	07/15/2024	0.00	25,000,000.00	
912828D56	22517	US Treasury N/B			2.375	08/15/2024	0.00	30,000,000.00	
91282CEQ0	22541	U.S.Trust			2.750	09/05/2024	50,000,000.00	0.00	
	Subtotal and Balance			**249,000,000.00**			**50,000,000.00**	**55,000,000.00**	**244,000,000.00**
Medium Term Notes									
89236TMH5	22539	Toyota Motor Credit Corp			5.000	07/24/2024	25,000,000.00	0.00	
89236TMQ5	22544	Toyota Motor Credit Corp			3.700	09/27/2024	25,000,000.00	0.00	
	Subtotal and Balance			**60,000,000.00**			**50,000,000.00**	**0.00**	**110,000,000.00**
Supranationals									
	Subtotal and Balance			**20,000,000.00**					**20,000,000.00**
	Dealer Subtotal		**31.762%**	**329,000,000.00**			**100,000,000.00**	**55,000,000.00**	**374,000,000.00**
Dealer: Bank of the West									
Money Market Mutual Funds 02									
070731229	1229	Bank of the West			4.290		121,253.28	121,253.28	
	Subtotal and Balance			**10,000,000.00**			**121,253.28**	**121,253.28**	**10,000,000.00**
	Dealer Subtotal		**0.849%**	**10,000,000.00**			**121,253.28**	**121,253.28**	**10,000,000.00**
Dealer: CAMP									
Money Market Mutual Funds 02									
SYS011119	22302	CAMP			5.290		339,534,600.16	461,534,600.16	
	Subtotal and Balance			**220,000,000.00**			**339,534,600.16**	**461,534,600.16**	**98,000,000.00**
	Dealer Subtotal		**8.323%**	**220,000,000.00**			**339,534,600.16**	**461,534,600.16**	**98,000,000.00**

Current Rate varies based on security:
- Unless otherwise stated below, Current Rate is equivalent to the security's Coupon Rate (fixed interest paid by issuer)
- Treasury Discounts report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- Money Market / Mutual Funds, and Negotiable CDs report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Cantor, Fitzgeral L.P.									
Medium Term Notes									
	Subtotal and Balance			**25,000,000.00**					**25,000,000.00**
	Dealer Subtotal		**2.123%**	**25,000,000.00**			**0.00**	**0.00**	**25,000,000.00**
Dealer: Jeffries & Company, INC									
U.S. Treasury Notes/ Bonds									
	Subtotal and Balance			**20,000,000.00**					**20,000,000.00**
Federal Agency Issues - Coupon									
	Subtotal and Balance			**15,000,000.00**					**15,000,000.00**
	Dealer Subtotal		**2.972%**	**35,000,000.00**			**0.00**	**0.00**	**35,000,000.00**
Dealer: Keybanc Capital Mark									
Federal Agency Issues - Coupon									
	Subtotal and Balance			**20,000,000.00**					**20,000,000.00**
Medium Term Notes									
	Subtotal and Balance			**10,000,000.00**					**10,000,000.00**
	Dealer Subtotal		**2.548%**	**30,000,000.00**			**0.00**	**0.00**	**30,000,000.00**
Dealer: LAIF (General Fund)									
Local Agency Investment Fund (LAIF)									
SYS6501	6501	LAIF (General Fund)			4.570		114.03	114.03	
	Subtotal and Balance			**10,000.00**			**114.03**	**114.03**	**10,000.00**
	Dealer Subtotal		**0.001%**	**10,000.00**			**114.03**	**114.03**	**10,000.00**
Dealer: Piper Jaffray & Co									
Municipal Bonds									
	Subtotal and Balance			**1,215,000.00**					**1,215,000.00**

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- Money Market / Mutual Funds, and Negotiable CDs report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
		Dealer Subtotal	**0.103%**	**1,215,000.00**			**0.00**	**0.00**	**1,215,000.00**
Dealer: Piper Sandler									
U.S. Treasury Notes/ Bonds									
	Subtotal and Balance			**40,000,000.00**					**40,000,000.00**
Negotiable CDs									
05593DBW2	22542	BNP Paribas NY Branch			4.650	09/06/2024	50,000,000.00	0.00	
	Subtotal and Balance			**0.00**			**50,000,000.00**	**0.00**	**50,000,000.00**
Municipal Bonds									
	Subtotal and Balance			**30,200,000.00**					**30,200,000.00**
		Dealer Subtotal	**10.208%**	**70,200,000.00**			**50,000,000.00**	**0.00**	**120,200,000.00**
Dealer: Prebon									
Negotiable CDs									
85325VHX1	22503	Standard Charter Ny			6.010	09/03/2024	0.00	25,000,000.00	
89115BKH2	22510	Toronto Dominion Bank			5.770	08/16/2024	0.00	25,000,000.00	
85325VNQ9	22543	Standard Chartered BK NY			4.180	09/26/2024	25,000,000.00	0.00	
	Subtotal and Balance			**130,000,000.00**			**25,000,000.00**	**50,000,000.00**	**105,000,000.00**
		Dealer Subtotal	**8.917%**	**130,000,000.00**			**25,000,000.00**	**50,000,000.00**	**105,000,000.00**
Dealer: Royal Bank Canada Capital Mrkt									
U.S. Treasury Notes/ Bonds									
912828ZT0	22540	US Treasury N/B			0.250	08/02/2024	35,000,000.00	0.00	
	Subtotal and Balance			**30,000,000.00**			**35,000,000.00**	**0.00**	**65,000,000.00**
Federal Agency Issues - Coupon									
3134GXRF3	22466	Fed.Home Loan Mtg.Corp			2.625	07/29/2024	0.00	25,000,000.00	
	Subtotal and Balance			**45,000,000.00**			**0.00**	**25,000,000.00**	**20,000,000.00**
Treasury Discounts -Amortizing									
912797KN6	22526	U.S. Treasury Bill			5.197	07/09/2024	0.00	5,000,000.00	
912797GL5	22527	U.S. Treasury Bill			5.106	09/05/2024	0.00	41,000,000.00	

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- Money Market / Mutual Funds, and Negotiable CDs report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
	Subtotal and Balance			46,000,000.00			0.00	46,000,000.00	0.00
Supranationals									
	Subtotal and Balance			33,000,000.00					33,000,000.00
	Dealer Subtotal		10.021%	154,000,000.00			35,000,000.00	71,000,000.00	118,000,000.00
Dealer: Raymond James Financial Inc									
Medium Term Notes									
	Subtotal and Balance			44,705,000.00					44,705,000.00
Municipal Bonds									
801546QU9	22456	COUNTY OF SANTA CLARA			2.000	08/01/2024	0.00	2,430,000.00	
	Subtotal and Balance			40,280,000.00			0.00	2,430,000.00	37,850,000.00
Supranationals									
	Subtotal and Balance			25,000,000.00					25,000,000.00
	Dealer Subtotal		9.134%	109,985,000.00			0.00	2,430,000.00	107,555,000.00
Dealer: SANTA CRUZ COUNTY									
Santa Cruz County Auditor Loan									
SYS7013	7013	Santa Cruz County Auditor			5.330	07/01/2024	0.00	8,000,000.00	
	Subtotal and Balance			8,000,000.00			0.00	8,000,000.00	0.00
	Dealer Subtotal		0.000%	8,000,000.00			0.00	8,000,000.00	0.00
Dealer: Stifel Nicolaus & Co									
Federal Agency Issues - Coupon									
3130AQJ38	22455	Federal Home Loan Bank			1.050	07/25/2024	0.00	25,000,000.00	
3134GXTA2	22469	Fed.Home Loan Mtg.Corp			3.050	08/26/2024	0.00	20,000,000.00	
3134GXJ54	22474	Fed.Home Loan Mtg.Corp			3.650	07/26/2024	0.00	20,000,000.00	
	Subtotal and Balance			111,000,000.00			0.00	65,000,000.00	46,000,000.00
Medium Term Notes									
	Subtotal and Balance			57,544,000.00					57,544,000.00

Current Rate varies based on security:
- Unless otherwise stated below, Current Rate is equivalent to the security's Coupon Rate (fixed interest paid by issuer)
- Treasury Discounts report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- Money Market / Mutual Funds, and Negotiable CDs report the Yield to Maturity (total rate of return if held to maturity)

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Dealer: Stifel Nicolaus & Co									
Negotiable CDs									
87019WTN5	22524	Swedbank NY			5.340	07/05/2024	0.00	50,000,000.00	
	Subtotal and Balance			**50,000,000.00**			**0.00**	**50,000,000.00**	**0.00**
	Dealer Subtotal		**8.793%**	**218,544,000.00**			**0.00**	**115,000,000.00**	**103,544,000.00**
Dealer: US Bank MMMF									
Dividends									
SYS22423	22423	US Bank			4.830		2,179.02	2,179.02	
	Subtotal and Balance			**0.00**			**2,179.02**	**2,179.02**	**0.00**
Money Market Mutual Funds 02									
157 519 832 743	22283	US Bank MMMF			5.060		648,025.14	648,025.14	
	Subtotal and Balance			**50,000,000.00**			**648,025.14**	**648,025.14**	**50,000,000.00**
	Dealer Subtotal		**4.246%**	**50,000,000.00**			**650,204.16**	**650,204.16**	**50,000,000.00**
	Total		**100.000%**	**1,390,954,000.00**			**550,306,171.63**	**763,736,171.63**	**1,177,524,000.00**

Current Rate varies based on security:
- Unless otherwise stated below, Current Rate is equivalent to the security's Coupon Rate (fixed interest paid by issuer)
- Treasury Discounts report the Discount Rate (a simplified yield calculation, while the yield to maturity (YTM) provides a more accurate and comprehensive measure of return)
- Money Market / Mutual Funds, and Negotiable CDs report the Yield to Maturity (total rate of return if held to maturity)

ACCRUED INTEREST REPORT

As of September 30, 2024

REPORT DESCRIPTION

The **Accrued Interest Report** shows the amount of interest earned, but not yet received, for each active investment within the portfolio. Within the date range, the report displays the amount of interest accrued as of the report beginning date, the amount of interest earned during the reporting period, the amount of interest recorded as received, and the ending accrued interest. What follows is a description of the report's headings.

ISSUER – Issuer is the name of the institution which issued the investment.

INVESTMENT NUMBER – The investment number is a unique number that identifies the investment position.

SECURITY TYPE – This heading is a three-character code assigned by the program to identify each type of investment.

PAR VALUE- The nominal or face value of the security.

MATURITY DATE – The maturity date is the date on when an investment will mature.

CURRENT RATE – For coupon instruments, the current rate is the coupon or interest rate at the time of purchase. For discount instruments, the current rate is the yield to maturity.

BEGINNING ACCRUED INTEREST – This column displays the amount of interest earned, but not yet received, as of the report beginning date.

INTEREST EARNED – This column shows the amount of interest earned during the selected reporting period.

INTEREST RECEIVED – This column includes the amount of interest posted as received during the selected reporting period.

ENDING ACCURED INTEREST – This column displays the amount of interest earned, but not yet received, as of the report ending date.

County of Santa Cruz
Accrued Interest
Sorted by Security Type - Fund
July 1, 2024 - September 30, 2024

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
U.S. Treasury Notes/ Bonds										
912828D56	22517	TRC	0.00	08/15/2024	2.375	268,166.21	0.00	88,083.79	356,250.00	0.00
9128283V0	22533	TRC	27,000,000.00	01/31/2025	2.500	152,060.44	0.00	169,354.70	207,692.31	113,722.83
912828ZT0	22540	TRC	35,000,000.00	05/31/2025	0.250	0.00	0.00	14,344.26	0.00	14,344.26
91282CFE6	22502	TRC	20,000,000.00	08/15/2025	3.125	235,233.52	0.00	157,089.85	312,500.00	79,823.37
91282CCL3	22505	TRC	0.00	07/15/2024	0.375	43,269.23	0.00	3,605.77	46,875.00	0.00
91282CCW9	22507	TRC	15,000,000.00	08/31/2026	0.750	37,601.90	0.00	28,282.08	56,250.00	9,633.98
91282CFB2	22514	TRC	20,000,000.00	07/31/2027	2.750	229,670.33	0.00	137,992.71	275,000.00	92,663.04
91282CFH9	22515	TRC	20,000,000.00	08/31/2027	3.125	208,899.46	0.00	157,122.64	312,500.00	53,522.10
91282CCH2	22516	TRC	20,000,000.00	06/30/2028	1.250	125,679.35	0.00	62,500.00	125,000.00	63,179.35
91282CJC6	22518	TRC	30,000,000.00	10/15/2026	4.625	291,905.74	0.00	348,770.49	0.00	640,676.23
91282CDF5	22522	TRC	20,000,000.00	10/31/2028	1.375	46,331.52	0.00	68,750.00	0.00	115,081.52
91282CJR3	22523	TRC	15,000,000.00	12/31/2028	3.750	234,873.31	0.00	140,625.00	233,344.78	142,153.53
91282CDB4	22530	TRC	20,000,000.00	10/15/2024	0.625	26,297.81	0.00	31,420.77	0.00	57,718.58
91282CDS7	22532	TRC	27,000,000.00	01/15/2025	1.125	68,427.20	0.00	76,064.48	80,109.89	64,381.79
91282CHL8	22537	TRC	50,000,000.00	06/30/2025	4.625	25,343.04	0.00	578,125.00	19,059.07	584,408.97
91282CEQ0	22541	TRC	50,000,000.00	05/15/2025	2.750	0.00	0.00	97,146.74	0.00	97,146.74
		Subtotal	**369,000,000.00**			**1,993,759.06**	**0.00**	**2,159,278.28**	**2,024,581.05**	**2,128,456.29**
Federal Agency Issues - Coupon										
3133EMNF5	22399	FAC	20,000,000.00	01/15/2025	0.375	34,583.33	0.00	18,750.00	37,500.00	15,833.33
3130APGN9	22427	FAC	15,000,000.00	10/28/2026	1.150	30,187.50	0.00	43,125.00	0.00	73,312.50
3130AQJ38	22455	FAC	0.00	07/25/2024	1.050	113,750.00	0.00	17,500.00	131,250.00	0.00
3137EAEX3	22398	FAC	15,000,000.00	09/23/2025	0.375	15,312.50	0.00	14,062.50	28,125.00	1,250.00
3134GXRF3	22466	FAC	0.00	07/29/2024	2.625	277,083.33	0.00	51,041.67	328,125.00	0.00
3134GXTA2	22469	FAC	0.00	08/26/2024	3.050	211,805.56	0.00	93,194.44	305,000.00	0.00
3134GXJ54	22474	FAC	0.00	07/26/2024	3.650	314,305.57	0.00	50,694.44	365,000.00	0.01
3134GXK94	22475	FAC	20,000,000.00	08/15/2025	4.050	306,000.00	0.00	202,500.00	405,000.00	103,500.00
3135GATN1	22535	FAC	4,000,000.00	06/04/2027	5.350	12,483.33	0.00	53,500.00	0.00	65,983.33
3135GATR2	22536	FAC	27,000,000.00	06/10/2027	5.260	82,845.00	0.00	355,050.00	0.00	437,895.00
		Subtotal	**101,000,000.00**			**1,398,356.12**	**0.00**	**899,418.05**	**1,600,000.00**	**697,774.17**
Medium Term Notes										
037833EB2	22493	MTN	10,000,000.00	02/08/2026	0.700	27,805.56	0.00	17,500.00	35,000.00	10,305.56
06048WT91	22457	MTN	10,000,000.00	03/10/2025	2.350	72,458.33	0.00	58,750.00	117,500.00	13,708.33
06055JDV8	22528	MTN	10,000,000.00	03/25/2027	5.500	9,166.67	0.00	137,500.00	137,500.00	9,166.67

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
Medium Term Notes										
06055JEC9	22529	MTN	10,000,000.00	04/19/2028	5.500	110,000.00	0.00	137,500.00	0.00	247,500.00
48130CBC8	22492	MTN	15,000,000.00	06/12/2026	5.250	41,562.50	0.00	196,875.00	0.00	238,437.50
48130CDD4	22509	MTN	15,000,000.00	11/15/2028	6.000	115,000.00	0.00	225,000.00	0.00	340,000.00
458140AS9	22499	MTN	10,000,000.00	07/29/2025	3.700	156,222.22	0.00	92,500.00	185,000.00	63,722.22
458140AU4	22538	MTN	25,000,000.00	05/19/2026	2.600	7,222.22	0.00	162,500.00	0.00	169,722.22
58933YAY1	22425	MTN	5,000,000.00	02/24/2026	0.750	13,229.17	0.00	9,375.00	18,750.00	3,854.17
594918BB9	22462	MTN	17,544,000.00	02/12/2025	2.700	182,896.20	0.00	118,422.00	236,844.00	64,474.20
89236THP3	22495	MTN	10,000,000.00	10/16/2025	0.800	16,666.67	0.00	20,000.00	0.00	36,666.67
89236TJT3	22498	MTN	10,000,000.00	01/13/2025	1.450	67,666.67	0.00	36,250.00	72,500.00	31,416.67
89236TKF1	22519	MTN	29,705,000.00	08/18/2025	3.650	400,563.67	0.00	271,058.13	542,116.25	129,505.55
89236TLQ6	22521	MTN	20,000,000.00	07/26/2028	5.000	430,555.56	0.00	250,000.00	500,000.00	180,555.56
89236TMH5	22539	MTN	25,000,000.00	07/24/2029	5.000	0.00	0.00	232,638.89	0.00	232,638.89
89236TMQ5	22544	MTN	25,000,000.00	09/28/2027	3.700	0.00	0.00	10,277.78	0.00	10,277.78
		Subtotal	**247,249,000.00**			**1,651,015.44**	**0.00**	**1,976,146.80**	**1,845,210.25**	**1,781,951.99**
Negotiable CDs										
05593DBW2	22542	NCB	50,000,000.00	05/06/2025	4.650	0.00	0.00	161,458.33	0.00	161,458.33
85325VHX1	22503	NCB	0.00	09/03/2024	6.010	1,135,222.22	0.00	267,111.11	1,402,333.33	0.00
85325VNQ9	22543	NCB	25,000,000.00	07/24/2025	4.180	0.00	0.00	14,513.89	0.00	14,513.89
85325VMV9	22534	NCB	30,000,000.00	02/28/2025	5.440	117,866.67	0.00	408,000.00	0.00	525,866.67
87019WTN5	22524	NCB	0.00	07/05/2024	5.340	1,038,333.33	0.00	29,666.67	1,068,000.00	0.00
89115BKH2	22510	NCB	0.00	08/16/2024	5.770	921,597.23	0.00	184,319.44	1,105,916.68	-0.01
89115BQV5	22520	NCB	50,000,000.00	10/02/2024	5.250	1,312,500.00	0.00	670,833.33	0.00	1,983,333.33
		Subtotal	**155,000,000.00**			**4,525,519.45**	**0.00**	**1,735,902.77**	**3,576,250.01**	**2,685,172.21**
Municipal Bonds										
127109QB5	22477	MUN	1,215,000.00	08/01/2025	2.194	11,107.12	0.00	6,664.28	13,328.55	4,442.85
13063DGB8	22480	MUN	15,200,000.00	04/01/2025	3.375	128,250.00	0.00	128,250.00	0.00	256,500.00
13063DC48	22504	MUN	15,000,000.00	02/01/2028	1.700	106,250.00	0.00	63,750.00	127,500.00	42,500.00
419792YR1	22421	MUN	10,000,000.00	08/01/2026	0.893	37,208.33	0.00	22,325.00	44,650.00	14,883.33
54438CYL0	22439	MUN	5,000,000.00	08/01/2026	1.174	24,458.33	0.00	14,675.00	29,350.00	9,783.33
801546QU9	22456	MUN	0.00	08/01/2024	2.000	20,250.00	0.00	4,050.00	24,300.00	0.00
79770GJB3	22445	MUN	4,250,000.00	08/01/2025	1.561	27,642.71	0.00	16,585.62	33,171.25	11,057.08
91412GU94	22410	MUN	8,600,000.00	07/01/2025	3.063	131,709.00	0.00	65,854.50	131,709.00	65,854.50
91412HGF4	22489	MUN	3,000,000.00	05/15/2027	1.316	5,044.67	0.00	9,870.00	0.00	14,914.67
91412HGF4	22490	MUN	7,000,000.00	05/15/2027	1.316	11,770.89	0.00	23,030.00	0.00	34,800.89
		Subtotal	**69,265,000.00**			**503,691.05**	**0.00**	**355,054.40**	**404,008.80**	**454,736.65**

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

CUSIP	Investment #	Security Type	Par Value	Maturity Date	Current Rate	* Beginning Accrued Interest	Adjusted Acc'd Int. at Purchase During Period	Interest Earned	Interest Received	* Ending Accrued Interest
Santa Cruz County Auditor Loan										
SYS7013	7013	MC9	0.00	07/01/2024	5.330	3,553.33	0.00	0.00	3,553.33	0.00
		Subtotal	**0.00**			**3,553.33**	**0.00**	**0.00**	**3,553.33**	**0.00**
Local Agency Investment Fund (LAIF)										
SYS6501	6501	LA1	10,000.00		4.570	114.03	0.00	114.44	114.03	114.44
		Subtotal	**10,000.00**			**114.03**	**0.00**	**114.44**	**114.03**	**114.44**
Dividends										
SYS22423	22423	PA4	0.00		4.830	96.40	0.00	2,594.63	2,179.02	512.01
		Subtotal	**0.00**			**96.40**	**0.00**	**2,594.63**	**2,179.02**	**512.01**
Supranationals										
459058JL8	22404	MC6	18,000,000.00	10/28/2025	0.500	15,750.00	0.00	22,500.00	0.00	38,250.00
459058JB0	22420	MC6	15,000,000.00	04/22/2025	0.625	17,518.75	0.00	23,437.50	0.00	40,956.25
45906M4W8	22525	MC6	20,000,000.00	02/16/2029	4.600	345,000.00	0.00	230,000.00	383,400.00	191,600.00
45906M5F4	22531	MC6	25,000,000.00	03/27/2029	4.824	271,350.00	0.00	301,500.00	559,450.00	13,400.00
		Subtotal	**78,000,000.00**			**649,618.75**	**0.00**	**577,437.50**	**942,850.00**	**284,206.25**
Money Market Mutual Funds 02										
070731229	1229	RRP	10,000,000.00		4.290	39,739.35	0.00	119,158.23	121,253.28	37,644.30
SYS011119	22302	RRP	98,000,000.00		5.290	1,061,201.81	0.00	2,407,533.10	2,901,803.29	566,931.62
157 519 832 743	22283	RRP	50,000,000.00		5.060	208,839.67	0.00	642,576.74	648,025.14	203,391.27
		Subtotal	**158,000,000.00**			**1,309,780.83**	**0.00**	**3,169,268.07**	**3,671,081.71**	**807,967.19**
		Total	**1,177,524,000.00**			**12,035,504.46**	**0.00**	**10,875,214.94**	**14,069,828.20**	**8,840,891.20**

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

DESCRIPTION OF INVESTMENT INSTRUMENTS (1/3)

The investment activities of County Treasurers are restricted by state law to a select group of government securities and prime money market instruments. To reduce the risk inherent in any one instrument, state law further limits the percentage of the county's portfolio that can be invested in any one type of security.

The types of securities available to the County Treasurer can be divided into three main categories: 1) U.S. Treasury bills, notes and bonds. They are guaranteed by the U.S. Government and are considered to have no credit risk. They also typically have the lowest yield of the securities available for investing. 2) Securities issued by U.S. Government Agencies and Instrumentalities. These securities consist mostly of notes and debentures of agencies and government sponsored corporations. They are not guaranteed by the U.S. government and therefore have some credit risk. Their yield is typically higher than U.S. Treasury securities. 3) Prime money market securities. These consist of securities such as bankers' acceptances, certificates of deposit, commercial paper and municipal bonds. The yield is typically higher than the other types of securities in which the county invests but the risk is also higher. Through diversification and purchasing only highly rated paper, the credit risk is kept to an acceptable minimum. Each of the securities in these three categories is subject to market risk if sold prior to maturity.

What follows is a brief description of the different securities used by the County Treasurer:

U.S. Treasury Notes and Bonds are long term obligations of the U.S. government, which bear coupons. Interest is payable every six months at a rate of one-half the annual coupon. Treasury bonds and notes trading is conducted by the same securities dealers who trade T bills. In the secondary market, prices are quoted in thirty-seconds of 1 percent. Except for their maturities, notes and bonds are identical regardless of their label. Notes are issued for original maturities of one to 10 years. Bonds are issued with original maturities of more than 10 years.

U.S. Treasury Bills are unusual instruments because they bear no specific interest rate. Rather, they are issued originally at a discount from its ultimate maturity (par) value. Because T Bills are issued and traded at a discount, investors receive their returns at maturity or on subsequent resale, which ordinarily will be at prices higher than the original discount.

Federal Farm Credit Bank (FFCB) Discount Notes. FFCB is an instrumentality of the U.S. Government. The notes are the consolidated obligations of the 37 Farm Credit Banks issued on a discount basis with maturities of one year or less. Although not as risk free as Treasury notes, most experts believe the U.S. government has a moral commitment to the farm credit system.

DESCRIPTION OF INVESTMENT INSTRUMENTS (2/3)

Federal Farm Credit Bank (FFCB) debentures are consolidated obligations of the 37 Farm Credit Banks issued with a fixed coupon rate with maturities ranging from 6 months to 20 years. A debenture is a bond secured only by the general credit of the issuer.

Federal Home Loan Bank (FHLB) Discount notes are consolidated obligations of 12 District banks issued with a fixed coupon rate with maturities ranging from one to ten years. Although the FHLB operates under federal charter with government supervision, the securities are not guaranteed by the U.S. government. However, the banks are required to maintain a considerable reserve pledged against the outstanding debt. They are therefore considered relatively risk free.

Federal National Mortgage Association (Fannie Mae) Discount notes are consolidations of government chartered private corporations issued on a discount basis with maturities under one year. They are guaranteed by the corporations, but not by the U.S. government. Many investors consider the securities a moral obligation of the U.S. government and believe Congress would intervene before allowing default.

Federal National Mortgage Association (Fannie Mae) debentures are obligations issued by the Association with a fixed coupon rate and various maturities. A debenture is a bond secured only by the general credit of the issuer.

Local Agency Investment Fund (LAIF) is the state sponsored investment fund. LAIF is an excellent cash management tool to help meet most of the unexpected cash demands. Currently the state limits the county's investment in this pool to $65,000,000.

Federal Home Loan Mortgage Corporation (Freddie Mac) Participation Notes are issues of the Federal Home Loan Mortgage Corporation representing undivided interests in conventional mortgages underwritten and previously purchased by it. The corporation guarantees the timely payment of interest at the certificate rate and full return of principal. Participation Certificates have original final payment dates of 30 years.

Government National Mortgage Association (Ginnie Mae) Pass Through are issues of the wholly owned government corporation within the Department of Housing and Urban Development. Principal and interest payment collected on mortgages in specified pools are passed through to holders of GNMA Guaranteed certificates after deduction of servicing and guaranty fees. GNMA's have original stated maturities of 12 to 40 years. For Santa Cruz County, these are used only as collateral for overnight repurchase agreements.

Municipal Securities (Notes and Bonds) Debt securities issued by state and local governments and their agencies are referred to as municipal securities. Such securities can be divided into two broad categories: bonds issued to finance capital projects and short term notes sold in anticipation of the receipt of other funds, such as taxes or proceeds from a bond issue.

DESCRIPTION OF INVESTMENT INSTRUMENTS (3/3)

Banker's Acceptances. Briefly stated, the function of the bankers' acceptance is as follows: A borrower may, under certain circumstances, obtain short-term credit by arranging for his bank to accept a time draft upon it. The bank stamps its official accepted across the face of the draft and converts it into a bankers' acceptance. The instrument, now being a bank obligation, may be sold to an acceptance dealer who, in turn, may sell it to an investor. Most BAs arise out of transactions involving the trade of manufactured goods or commodities. Maturities range from one to 180 days.

Commercial Paper is a short-term promissory note issued by a company to finance current transactions. All commercial paper is negotiable, but most commercial paper sold to investors is held to maturity. Commercial paper is issued not only by industrial and manufacturing firms but also by finance companies. Notes are sold on a discount or interest- bearing basis with maturities not exceeding 270 days.

Medium Term Notes are obligations that have maturities of less than 5 years and are issued by corporations or depositories organized and operating in the U.S.

Negotiable Certificate of Deposit (NCD). It is a receipt for deposit of a stated sum in the bank on a given date, together with a promise to redeem this sum plus interest at the indicated rate on a designated date. The instrument is negotiable because it is payable either to bearer or to the order of the depositor.

Repurchase Agreements (RP or Repos). A holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. Repurchase agreements are usually for short periods of time (one to five days), when large sums are received that will be needed in the next day or two. As a result, they are often called overnight repos. From the point of view of investors, overnight repos offer several attractive features. First, by rolling overnight repos, investors can keep surplus funds invested without losing liquidity or incurring a price risk. Second, because repo transactions are secured by top quality paper, investors expose themselves to little or no risk.

Guaranteed Investment Contract (GIC). This is a fixed income agreement offered by insurance companies. GICs offer to pay a specific interest rate over a period of time. Some GICs are eligible for early redemption, with or without penalty, which eliminates market risk if interest rates rise. In Santa Cruz County it is only used for the investment of secured indebtedness and only if the note documentation permits such an investment.

Money Market (Mutual) Fund. A money market mutual fund is a pooled fund that invests in a number of money market vehicles (CD’s, CP, T-Bills, etc.). These funds are designed to pay the investor interest, as well as provide full liquidity. Maturities of the underlying investments are 13 months or less.