# PRELIMINARY OFFICIAL STATEMENT DATED APRIL 17, 2025

**NEW ISSUE - FULL BOOK-ENTRY** **RATING: Moody's: "Aa2"**
**See "RATING" herein.**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A-1 Bonds and the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, and such interest may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds exempt from California personal income taxes. Bond Counsel observes that interest on the Series A-2 Bonds (as defined herein) is not intended to be excluded from gross income for federal income tax purposes. See "TAX MATTERS."*

| | | |
|---|---|---|
| **$23,000,000*** | **$7,000,000*** | **$11,000,000*** |
| **SCOTTS VALLEY UNIFIED SCHOOL DISTRICT** | **SCOTTS VALLEY UNIFIED SCHOOL DISTRICT** | **SCOTTS VALLEY UNIFIED SCHOOL DISTRICT** |
| **(Santa Cruz County, California)** | **(Santa Cruz County, California)** | **(Santa Cruz County, California)** |
| **General Obligation Bonds 2024 Election, Series A-1** | **General Obligation Bonds 2024 Election, Series A-2** | **2025 Refunding General Obligation Bonds** |
| **(Tax-Exempt)** | **(Federally Taxable)** | **(Tax-Exempt)** |

**Dated: Date of Delivery** **Due: As shown on inside front cover.**

***Authority and Purposes.*** The above-captioned bonds (collectively, the "Bonds") of the Scotts Valley Unified School District (the "District") of Santa Cruz County (the "County"), State of California (the "State"), designated as the "General Obligation Bonds, 2024 Election, Series A-1 (Tax-Exempt)" (the "Series A-1 Bonds"), "General Obligation Bonds, 2024 Election, Series A-2 (Federally Taxable)" (the "Series A-2 Bonds" and with the Series A-1 Bonds, the "Series A Bonds") and the "2025 Refunding General Obligation Bonds (Tax-Exempt)" (the "Refunding Bonds") are being issued pursuant to applicable provisions of the State Government Code and two resolutions of the Board of Trustees of the District adopted on March 11, 2025 (referred to herein as the "Series A Bond Resolution" and the "Refunding Bond Resolution", respectively). The Series A Bonds were authorized at an election of the registered voters of the District held on November 5, 2024, which authorized the issuance of $85,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities (the "2024 Bond Authorization"). The Series A Bonds are being issued to provide funding for voter-approved facilities improvements including lease prepayment, and to pay related costs of issuance. The Refunding Bonds are being issued for the purpose of refinancing certain outstanding general obligation bonds of the District on a current basis, and to pay related costs of issuance. See "THE FINANCING AND REFINANCING PLAN" and "THE BONDS – Authority for Issuance."

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

***Payments.*** The Bonds are dated the date of delivery. The Bonds accrue interest at the rates set forth on the inside cover page hereof payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing on August 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, the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

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

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**MATURITY SCHEDULES**
(See inside cover)

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

*The Bonds will be offered when, as and if issued, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Aparicio Law, Pasadena, California, is serving as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about May __, 2025*.*

STIFEL

The date of this Official Statement is _____ __, 2025.

*Preliminary; subject to change.

# MATURITY SCHEDULES*

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
**(Santa Cruz County, California)**

**Base CUSIP†: 81023Q**

**General Obligation Bonds, 2024 Election, Series A-1**
**(Tax-Exempt)**

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

**General Obligation Bonds, 2024 Election, Series A-2**
**(Federally Taxable)**

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

*Preliminary; subject to change.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by FactSet Research Systems Inc.  CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience only. Neither of the District nor the Underwriter takes any responsibility for the accuracy of such numbers.

## MATURITY SCHEDULES*
**(Continued from prior page)**

# SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
**(Santa Cruz County, California)**

**Base CUSIP†: 81023Q**

**2025 Refunding General Obligation Bonds**
**(Tax-Exempt)**

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

*Preliminary; subject to change.
*† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by FactSet Research Systems Inc. © 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience only. Neither of the District nor the Underwriter takes any responsibility for the accuracy of such numbers.*

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**SANTA CRUZ COUNTY**
**STATE OF CALIFORNIA**



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**PROFESSIONAL SERVICES**

**MUNICIPAL ADVISOR**

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

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation
*San Francisco, California*

**BOND REGISTRAR, TRANSFER AGENT, PAYING AGENT AND ESCROW AGENT**

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

**UNDERWRITER'S COUNSEL**

Aparicio Law
*Pasadena, California*

**ESCROW VERIFICATION AGENT**

Causey Public Finance LLC
*Denver, Colorado*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

***Involvement of Underwriter***. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement 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 page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

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

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

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# OFFICIAL STATEMENT

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| **$23,000,000*<br>SCOTTS VALLEY UNIFIED<br>SCHOOL DISTRICT<br>(Santa Cruz County, California)<br>General Obligation Bonds<br>2024 Election, Series A-1<br>(Tax-Exempt)** | **$7,000,000*<br>SCOTTS VALLEY UNIFIED<br>SCHOOL DISTRICT<br>(Santa Cruz County, California)<br>General Obligation Bonds<br>2024 Election, Series A-2<br>(Federally Taxable)** | **$11,000,000*<br>SCOTTS VALLEY UNIFIED<br>SCHOOL DISTRICT<br>(Santa Cruz County, California)<br>2025 Refunding<br>General Obligation Bonds<br>(Tax-Exempt)** |

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of above-captioned bonds (collectively, the **"Bonds"**) by the Scotts Valley Unified School District (the **"District"**) of Santa Cruz County (the **"County"**), State of California (the **"State"**), designated as "General Obligation Bonds, 2024 Election, Series A-1 (Tax-Exempt)" (the "**Series A-1 Bonds**"), "General Obligation Bonds, 2024 Election, Series A-2 (Federally Taxable)" (the "**Series A-2 Bonds**" and with the Series-1 Bonds, the **"Series A Bonds"**) and the "2025 Refunding General Obligation Bonds (Tax-Exempt)" (the **"Refunding Bonds"**).

## INTRODUCTION

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

***The District***. Located in the west hills of the Santa Cruz mountains, the District covers an area of approximately 21 square miles, encompassing an estimated population of 11,816 residents. The District is primarily residential, with territory which covers all of the City of Scotts Valley (the **"City"**), portions of unincorporated Santa Cruz County, and a very small portion of the City of Santa Cruz. The District consists of two elementary schools, one middle school and one high school. Three of the District's schools are located in the City. The fourth District school is located in an unincorporated portion of the County. Total enrollment in the District is approximately 2,106 students. The total assessed value of the District in fiscal year 2024-25 is over $5.7 billion.

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

***Purposes***. The net proceeds of the Series A Bonds will be used to finance school construction and improvements to the school facilities as authorized by more than the requisite 55% of the voters of the District (the **"2024 Bond Authorization"**) at an election held in the District on November 5, 2024 (the **"Bond Election"**). The proceeds of the Series A-2 Bonds will be applied specifically to the prepayment of a 2023 Lease Agreement which financed facilities improvements in the District, causing the corresponding prepayment on an advance basis of 2023 Certificates of Participation, as more particularly described herein. The net proceeds of the Refunding Bonds will be used to provide funds to refinance on a current basis certain outstanding general obligation bonds of the District, and to pay related costs of issuance. See "THE FINANCING AND REFINANCING PLAN" herein.

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**Preliminary; subject to change.*

***Authority for Issuance of the Bonds.*** The Bonds are being issued pursuant to applicable provisions of the Government Code of the State and pursuant to resolutions adopted by the Board of Trustees of the District on March 11, 2025 (referred to herein as the **"Series A Bond Resolution"** and the **"Refunding Bond Resolution"**, respectively). See "THE BONDS - Authority for Issuance" herein.

***Payment and Registration of the Bonds***. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

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

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

The District has other series of general obligation bonds outstanding that are payable from *ad valorem* property taxes levied on taxable property in the District. See "DEBT SERVICE SCHEDULES" and Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations – General Obligation Bonds".

***Legal Matters***. Issuance of the Bonds is subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (**"Bond Counsel"**), to be delivered in substantially the forms attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District (**"Disclosure Counsel"**). Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

***Tax Matters.*** Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A-1 Bonds and the Refunding Bonds (the **"Federally Tax-Exempt Bonds"**) is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on Federally Tax-Exempt Bonds may be subject to the corporate alternative minimum tax. Bond Counsel observes that interest on the Series A-2 Bonds is <u>not</u> intended to be excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein. See also APPENDIX D hereto for the forms of Bond Counsel's opinions to be delivered concurrently with the Bonds.

***Continuing Disclosure***. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed in connection with the Bonds. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CONTINUING DISCLOSURE" herein.

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**Preliminary; subject to change.*

***Cyber Risks.*** The District, like other governmental and business entities, faces significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face cybersecurity threats, attacks or incidents from time to time. No assurance can be given that future cyber threats or attacks against the District or third-party entities or service providers will not directly or indirectly impact the District or the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the District's continuing disclosure undertakings, described in more detail herein. See "CYBERSECURITY RISKS" herein.

***Other Information.*** This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District from the Superintendent's Office at 108 Whispering Pines Drive, Suite 115 Scotts Valley, CA 95066. The District may impose a charge for copying, mailing and handling. The District also maintains a website where public information is regularly made available. See www.proudtobe.pusd.org. The information contained in the District web site is <u>not</u> incorporated herein by reference.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly 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 which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

END OF INTRODUCTION

## THE FINANCING AND REFINANCING PLAN

### Purpose of the Series A Bonds

The proceeds of the Series A Bonds will be used to finance projects approved by the voters at the Bond Election, which authorized the issuance of $85,000,000 principal amount of general obligation bonds for the purpose of financing the construction and improvement of school facilities, together with related costs of issuing the Series A Bonds. The abbreviated form of the 2024 Bond Authorization is as follows:

> *"To improve education quality; repair leaky roofs; install energy-efficient HVAC; construct multi-purpose rooms and safer playgrounds at elementary schools; provide all-weather track and field at Scotts Valley High School; and make essential safety improvements; shall Scotts Valley Unified School District's measure be adopted issuing $85,000,000 of bonds at legal rates, generating on average $5,000,000 annually while bonds are outstanding at a rate of approximately $49 per $100,000 assessed value, with annual audits, independent citizens' oversight, money staying local and none for salaries?"*

As part of the measure presented to District voters at the Bond Election, the voters authorized a specific list of projects (the **"Project List"**) eligible to be funded with proceeds of bonds sold pursuant to the 2024 Bond Authorization, including the Series A Bonds described herein. The District makes no representation as to the specific application of the proceeds of the Series A Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2024 Bond Authorization will provide sufficient funds to complete any particular project listed in the Project List. The Series A Bonds will be the first series of general obligation bonds issued pursuant to the 2024 Bond Authorization.

*[Remainder of page intentionally left blank.]*

With respect to the proceeds of the Series A-2 Bonds, the District will apply such funds to acquire solar and energy efficiency projects through the payment and prepayment of a 2023 Lease Agreement and related 2023 Certificates of Participation (the **"2023 Certificates"**) on an advance basis. The 2023 Certificates to be prepaid are identified as follows:

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Identification of Prepaid 2023 Certificates**

| Maturity Date | Principal Amount | Interest Rate | CUSIP (810233) | Prepayment Date | Prepayment Price (%) |
|---|---|---|---|---|---|
| 9/1/27 | $130,000 | 5.000% | CN4 | 09/01/26 | 100.00 |
| 9/1/28 | 140,000 | 5.000 | CP9 | 09/01/26 | 100.00 |
| 9/1/29 | 145,000 | 5.000 | CQ7 | 09/01/26 | 100.00 |
| 9/1/30 | 150,000 | 5.000 | CR5 | 09/01/26 | 100.00 |
| 9/1/31 | 160,000 | 5.000 | CS3 | 09/01/26 | 100.00 |
| 9/1/32 | 165,000 | 5.000 | CT1 | 09/01/26 | 100.00 |
| 9/1/33 | 175,000 | 5.000 | CU8 | 09/01/26 | 100.00 |
| 9/1/34 | 185,000 | 5.000 | CV6 | 09/01/26 | 100.00 |
| 9/1/35 | 195,000 | 5.000 | CW4 | 09/01/26 | 100.00 |
| 9/1/36 | 205,000 | 5.000 | CX2 | 09/01/26 | 100.00 |
| 9/1/37 | 215,000 | 5.000 | CY0 | 09/01/26 | 100.00 |
| 9/1/38 | 225,000 | 5.000 | CZ7 | 09/01/26 | 100.00 |
| 9/1/40-T | 480,000 | 4.250 | DA1 | 09/01/26 | 100.00 |
| 9/1/43-T | 800,000 | 4.375 | DB9 | 09/01/26 | 100.00 |
| 9/1/47-T | 1,245,000 | 4.500 | DC7 | 09/01/26 | 100.00 |
| 9/1/53-T | 2,335,000 | 4.625 | DD5 | 09/01/26 | 100.00 |
| **TOTALS** | **$6,950,000** | **--** | **--** | **--** | **--** |

**Preliminary; subject to change.*
*T Term Bonds.*
*† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by FactSet Research Systems Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.*

The District will deliver the net proceeds of the Series A-2 Bonds to U.S. Bank Trust Company, National Association, as escrow bank (the "**Escrow Agent**"), for deposit in an escrow fund (the **"COP Escrow Fund**") established under an Escrow Agreement (the **"COP Escrow Agreement**"), between the District and the Escrow Agent. The Escrow Agent will hold such funds in cash and/or invest such funds in certain United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States (**"COP Escrow Fund Securities**") and will apply such funds, together with interest earnings on the investment of such funds in Escrow Fund Securities, to the payment and prepayment of the 2023 Certificates, as set forth above, on the prepayment date identified above.

Sufficiency of the deposits in the Escrow Fund for the foregoing purposes will be verified by Causey Public Finance, LLC, Denver, Colorado (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the COP Escrow Agent on the date of issuance of the Series A-2 Bonds, the 2023 Certificates and related lease payments will be legally defeased and will be payable solely from amounts held for that purpose under the COP Escrow Agreement.

*The Escrow Fund Securities and cash held by the Escrow Agent in the COP Escrow Fund are pledged solely to the payment of the 2023 Certificates and will not be available for the payment of debt service with respect to the Series A Bonds.*

### Purpose of the Refunding Bonds

As described herein, the net proceeds of the Refunding Bonds will be used to refund certain maturities of the District's outstanding general obligation bonds on a current basis, being all outstanding maturities of the following bonds:

- Scotts Valley Unified School District (Santa Cruz County, California) General Obligation Bonds, Election of 2014, Series A issued on January 29, 2015, in the aggregate original principal amount of $15,000,000 (the **"2014 Series A Bonds"**), and

More particularly, the following table identifies the maturities of the 2014 Series A Bonds (the "**Refunded 2014 Series A Bonds**") expected to be refunded with the proceeds of the Refunding Bonds.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Identification of Refunded 2014 Series A Bonds***

| Maturity Date (August 1) | Principal Amount | Interest Rate | CUSIP (810233) | Redemption Date | Redemption Price (%) |
|---|---|---|---|---|---|
| 2026 | $440,000 | 5.000% | CS2 | 08/01/2025 | 100.0% |
| 2028 -T | 1,030,000 | 5.000 | CT0 | 08/01/2025 | 100.0 |
| 2030 -T | 1,245,000 | 4.000 | CU7 | 08/01/2025 | 100.0 |
| 2035 -T | 4,080,000 | 3.250 | CV5 | 08/01/2025 | 100.0 |
| 2039 -T | 4,455,000 | 4.000 | CW3 | 08/01/2025 | 100.0 |
| **TOTALS** | **$11,250,000** | **--** | **--** | **--** | **--** |

**Preliminary; subject to change.*
*T Term Bonds.*
*† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by FactSet Research Systems Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.*

### Deposit in Escrow Fund

The District will deliver the net proceeds of the Refunding Bonds to the Escrow Agent, for deposit in an escrow fund (the **"GO Escrow Fund"**) established under an escrow agreement (the **"GO Escrow Agreement"**), between the District and the Escrow Agent, relating to the proceeds of the Refunding Bonds. The Escrow Agent will hold such funds in cash and/or invest such funds in certain United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States (**"GO Escrow Fund Securities"**) and will apply such funds, together with interest earnings on the investment of such funds in GO Escrow Fund Securities, to pay the principal of and interest on the Refunded 2015 Series A Bonds, as set forth above.

Sufficiency of the deposits in the GO Escrow Fund for the foregoing purposes will be verified by Causey Public Finance, LLC, Denver, Colorado (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Agent on the date of issuance of the Refunding Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the GO Escrow Agreement, and will cease to be secured by *ad valorem* property taxes levied in the District.

*The GO Escrow Fund Securities and cash held by the Escrow Agent in the GO Escrow Fund are pledged solely to the payment of the Refunded 2014 Series A Bonds, and will not be available for the payment of debt service with respect to the Refunding Bonds.*

**Unrefunded Bonds**

The following table identifies the maturities of the 2014 Series A Bonds which will remain outstanding and are not refunded with the proceeds of the Refunding Bonds, respectively, as described herein.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Identification of Unrefunded 2014 Series A Bonds***

| Maturity Date (August 1) | Principal Amount | Interest Rate | CUSIP (810233) |
|---|---|---|---|
| 2025 | $400,000 | 4.000% | CR4 |
| **TOTALS** | **$400,000** | | |

**Preliminary; subject to change.*
*† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by FactSet Research Systems Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.*

## SOURCES AND USES OF FUNDS

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

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Sources and Uses of Funds**

| Sources of Funds | Series A-1 Bonds | Series A-2 Bonds | Refunding Bonds |
|---|---|---|---|
| Principal Amount of Bonds | | | |
| Plus Net Original Issue Premium | | | |
| **Total Sources** | | | |
| | | | |
| **Uses of Funds** | | | |
| Deposit to Building Fund | | | |
| Deposit to Escrow Fund | | | |
| Deposit to Debt Service Fund(1) | | | |
| Costs of Issuance(2) | | | |
| **Total Uses** | | | |

*(1) Represents original issue premium received by the District on the sale of the Series A Bonds.*
*(2) All estimated costs of issuing the Bonds including, but not limited to, fees of Bond Counsel and Disclosure Counsel, the Municipal Advisor, the Paying Agent, the Escrow Agent, the Verification Agent, the Underwriter and the rating agency.*

# THE BONDS

## Authority for Issuance

The Series A Bonds will be issued pursuant to the 2024 Bond Authorization and under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 of said Code, and under the Series A Bond Resolution.

The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Sections 53550 and 53580 of said Code, and under the Refunding Bond Resolution.

## Description of the Bonds

The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("**DTC**"). See "-Book-Entry Only System" below and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds accrue interest at the interest rates set forth on the inside cover hereof computed on the basis of a 360-day year consisting of twelve 30-day months, which is payable on a current basis. The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2025 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth ($15^{th}$) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2025 in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Santa Cruz, California, as agent for the Treasurer and Tax Collector of Santa Cruz County, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

## Book-Entry Only System

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

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of 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 premised on such notice. See “APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

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

**Optional Redemption***

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

***Series A-2 Bonds.*** The Series A-2 Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior to maturity. The Series A-2 Bonds maturing on or after August 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

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

***Selection of Bonds for Redemption.*** For the purpose of selection for optional redemption, the Bonds will be deemed to consist of $5,000 portions principal amount and any such portion may be separately redeemed. 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 deemed fair by the Paying Agent. For purposes of such selection, each Bond will be deemed to consist of individual bonds of $5,000 principal amounts. The Bonds may all be separately redeemed.

**Mandatory Sinking Fund Redemption***

***Series A-1 Bonds.*** The Series A-1 Bonds maturing on August 1, 20___ (the **“Series A-1 Term Bonds”**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Series A-1 Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

---

* *Preliminary; subject to change.*

**$_____ Series A-1 Term Bonds**
**Maturing August 1, 20___**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|

***Refunding Bonds.*** The Refunding Bonds maturing on August 1, 20___ (the **"Refunding Term Bonds"** and together with the Series A-1 Term Bonds, the "**Term Bonds**"), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Refunding Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

**$_____ Refunding Term Bonds**
**Maturing August 1, 20___**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|

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

**Notice of Redemption**

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District, at least 20 days but not more than 60 days prior to the date fixed for redemption. Such notice may be a conditional notice of redemption and subject to rescission as described below. Notice of any redemption of the Bonds shall identify the redemption date and the redemption price and, if less than all of the then outstanding series of Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

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

**Partial Redemption**

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 transfer 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 County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

**Right to Rescind Notice of Redemption**

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

**Registration, Transfer and Exchange of Bonds**

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

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

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Santa Cruz, California for a like aggregate principal amount of Bonds of authorized denominations and of the same series and 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 applicable Bond Resolution, by the person in whose name it is registered, in person or by their 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**

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

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

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

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

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

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

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

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

As defined in each Bond Resolution, the term **"Federal Securities"** means (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; (b) any obligations the timely payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a); (c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and (d) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv)

Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and (vii) obligations of the Federal Home Loan Bank (FHLB).

## APPLICATION OF BOND PROCEEDS

### Building Fund

Pursuant to the Series A Bond Resolution, the net proceeds from the sale of the Series A-1 Bonds will be paid and credited to the fund established and held by the Santa Cruz County Treasurer (the **"County Treasurer"**) and designated as the "Scotts Valley Unified School District, 2024 Election, Series A Building Fund" (the **"Building Fund"**). Amounts credited to the Building Fund will be expended by the District for the purpose of financing any of the projects for which the Series A-1 Bond proceeds are authorized to be expended under the 2024 Bond Authorization, including the capital facility and technology projects described therein, and further including all incidental expenses and related costs of issuance. All interest and other gain arising from the investment of proceeds of the Series A-1 Bonds will be retained in the Building Fund and used for the purposes thereof. All moneys held in the Building Fund will be invested in accordance with the investment policies of the County, as such policies exist at the time of investment. Pursuant to the Series A Bond Resolution and applicable provisions of the Education Code, a portion of the proceeds of the Series A-1 Bonds may be deposited with a fiscal agent for the purpose of paying costs of issuance. See also "APPENDIX G - SANTA CRUZ COUNTY INVESTMENT POLICY AND INVESTMENT REPORT" herein.

As described herein, the proceeds of the Series A-2 Bonds will be deposited into the COP Escrow Fund and used to prepay the 2023 Certificates. See "THE FINANCING AND REFINANCING PLAN."

### Debt Service Funds

As further described herein under the heading "SECURITY FOR THE BONDS - Debt Service Funds," the County will establish debt service funds for each series of the Bonds (the **"Debt Service Funds"**). Accrued interest and premium, if any, received by the County from the sale of the Series A Bonds will be deposited in the Debt Service Fund for the Series A Bonds. Said funds, together with the collections of *ad valorem* property taxes, will be used only for payment of principal of and interest on the related series of the Bonds. Interest earnings on the investment of monies held in the Debt Service Funds will be retained in the applicable Debt Service Fund and used to pay the principal of and interest on applicable series of the Bonds when due. Pursuant to the Bond Resolutions, the District has pledged funds on deposit in each Debt Service Fund to the payment of the respective series of Bonds. Any moneys remaining in the Debt Service Funds after the applicable series of Bonds including the interest thereon have been paid, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, will be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

### Escrow Fund

A portion of the proceeds of the Refunding Bonds will be deposited in the Escrow Fund to provide for the defeasance and redemption of the Refunded Bonds on the applicable redemption date. See "THE FINANCING AND REFINANCING PLAN - Deposits in the Escrow Fund" herein.

**Investment of Proceeds of Bonds**

All moneys held in any of the funds or accounts established with the County under the Bond Resolutions will be invested in Authorized Investments (as defined in the Bond Resolutions) consisting generally of the County Investment Pool, the Local Agency Investment Fund or any investments authorized pursuant to Sections 53601 and 53635 of the California Government Code, in accordance with the investment policies of the County, as such policies exist at the time of investment. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the respective Bond Resolution will be deposited in the fund or account from which such investment was made, and will be expended for the purposes thereof.

In accordance with Government Code Section 53600 *et seq.*, the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See "APPENDIX G - SANTA CRUZ COUNTY INVESTMENT POLICY AND INVESTMENT REPORT."

*Remainder of page intentionally left blank.*

## DEBT SERVICE SCHEDULES

***Series A Bonds Debt Service.*** The following table shows the debt service schedule with respect to the Series A Bonds, assuming no optional redemptions.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Series A Bond Annual Debt Service Schedule**

| Bond Year Ending August 1 | Series A-1 Principal | Series A-1 Interest | Series A-2 Principal | Series A-2 Interest | Total |
|---|---|---|---|---|---|
| Total | | | | | |

***Refunding Bonds Debt Service.*** The following table shows the debt service schedule with respect to the Refunding Bonds, assuming no optional redemptions.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Refunding Bond Annual Debt Service Schedule**

| Bond Year Ending August 1 | Principal | Interest | Total |
|---|---|---|---|
| Total | | | |

***General Obligation Bond Combined Debt Service.*** The District has other series of general obligation bonds and refunding bonds outstanding. The following table shows the combined debt service schedule with respect to the District's outstanding general obligation bonds and the Bonds, assuming no optional redemptions. See "APPENDIX A - GENERAL AND FINANCIAL INFORMATION FOR THE SCOTTS VALLEY UNIFIED SCHOOL DISTRICT– DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations" for additional information.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Combined Outstanding General Obligation Bond Debt Service**

| Bond Year Ending August 1 | Other GO Bond Debt* | The Bonds† | Total Debt Service |
|---|---|---|---|
| 2025 | $4,052,256.26 | | |
| 2026 | 3,881,856.26 | | |
| 2027 | 3,971,956.26 | | |
| 2028 | 2,639,650.00 | | |
| 2029 | 2,729,250.00 | | |
| 2030 | 2,633,050.00 | | |
| 2031 | 2,615,175.00 | | |
| 2032 | 2,593,512.50 | | |
| 2033 | 1,078,350.00 | | |
| 2034 | 1,106,862.50 | | |
| 2035 | 1,143,587.50 | | |
| 2036 | 1,173,200.00 | | |
| 2037 | 1,213,400.00 | | |
| 2038 | 1,245,400.00 | | |
| 2039 | 1,284,400.00 | | |
| 2040 | -- | | |
| 2041 | -- | | |
| 2042 | -- | | |
| 2043 | -- | | |
| 2044 | -- | | |
| 2045 | -- | | |
| 2046 | -- | | |
| 2047 | -- | | |
| 2048 | -- | | |
| 2049 | -- | | |
| 2050 | -- | | |
| 2051 | -- | | |
| 2052 | -- | | |
| 2053 | -- | | |
| 2054 | -- | | |
| **Totals:** | **$33,361,906.28** | | |

*For purposes of the Preliminary Official Statement, includes debt service on the Refunded Bonds. See "THE FINANCING AND REFINANCING PLAN."
†Combined debt service for the Series A Bonds and the Refunding Bonds.

## SECURITY FOR THE BONDS

### *Ad Valorem* Taxes

***Bonds Payable from Ad Valorem Property Taxes.*** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding. See "DEBT SERVICE SCHEDULES" above and in Appendix A under the heading "GENERAL AND FINANCIAL INFORMATION FOR THE SCOTTS VALLEY UNIFIED SCHOOL DISTRICT – DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations."

In no event is the District obligated to pay principal of and interest on the Bonds out of any funds or properties of the District other than from *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the applicable Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

***Other Debt Payable from Ad Valorem Property Taxes***. In addition to the Bonds and the District's other outstanding general obligation bonds, there is other debt issued by entities within the jurisdiction of the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "– Direct and Overlapping Debt Obligations" below.

***Levy, Collection and Pledge of Taxes.*** The County will levy and collect such *ad valorem* taxes in such amounts and at such times as are necessary to ensure the timely payment of debt service on the Bonds. Such taxes, when collected, will be deposited into the respective Debt Service Funds for the Bonds, which are maintained by the County and which are irrevocably pledged for the payment of principal of and interest on the respective series of Bonds when due.

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

***Statutory Lien on Ad Valorem Tax Revenues.*** Pursuant to Senate Bill 222 effective January 1, 2016, voter-approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

***Annual Tax Rates.*** The amount of the annual *ad valorem* 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.

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

**Pledge of the Debt Service Funds**

The County will establish a Debt Service Fund (together, the "**Debt Service Funds**" and each, a "**Debt Service Fund**") for each series of the Bonds, which will be established as separate funds to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment by the District of the principal of and interest on each series of the Bonds will be deposited in the respective Debt Service Fund by the County promptly upon its receipt. The Debt Service Funds are pledged by the District for the payment by it of the principal of and interest on the corresponding series of Bonds when and as the same become due. The County will transfer amounts in the Debt Service Funds to the Paying Agent to the extent necessary to enable the District to pay the principal of and interest on the corresponding series of Bonds as the same become due and payable.

If, after payment in full of a series of the Bonds, any amounts remain on deposit in the corresponding Debt Service Fund, the County shall apply such amounts to pay debt service on other outstanding general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, shall be transferred to the general fund of the District, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

**Not a County Obligation**

No part of any fund or account of the County is pledged or obligated to the payment of the Bonds. The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, 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.

## PROPERTY TAXATION

### Property Tax Collection Procedures

Generally. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county in which the property is located.

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

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

Disclaimer Regarding Property Tax Collection Procedures. 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 whether future amendments or orders will occur, and what impact, if any, said future amendments or orders could have on the procedures relating to the levy and collection of property taxes, and related interest and penalties.

## Taxation of State-Assessed Utility Property

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

## Historic Assessed Valuations

***General.*** The assessed valuation of property in the District is established by the Assessor of the County, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

The following table sets forth historical assessed value in the District.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Assessed Valuations of All Taxable Property**
**Fiscal Years 2015-16 to 2024-25**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | % Change |
|---|---|---|---|---|---|
| 2015-16 | $3,548,685,302 | $17,300 | $77,381,004 | $3,626,083,606 | --% |
| 2016-17 | 3,741,461,016 | -- | 87,077,193 | 3,828,538,209 | 5.6 |
| 2017-18 | 3,975,278,190 | -- | 91,038,794 | 4,066,316,984 | 6.2 |
| 2018-19 | 4,224,595,504 | -- | 106,561,921 | 4,331,157,425 | 6.5 |
| 2019-20 | 4,419,165,147 | -- | 102,756,223 | 4,521,921,370 | 4.4 |
| 2020-21 | 4,639,577,655 | -- | 106,910,429 | 4,746,488,084 | 5.0 |
| 2021-22 | 4,639,577,655 | -- | 106,910,429 | 4,746,488,084 | 0.0 |
| 2022-23 | 5,095,909,668 | -- | 140,351,655 | 5,236,261,323 | 10.3 |
| 2023-24 | 5,445,349,721 | -- | 161,412,335 | 5,606,762,056 | 7.1 |
| 2024-25 | 5,626,994,555 | -- | 149,505,232 | 5,776,499,787 | 3.0 |

*Source: California Municipal Statistics, Inc.*

***Bonding Capacity.*** As a unified school district, the District may issue bonds in an amount up to 2.50% 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 $144.4 million and its net bonding capacity is approximately $117.3 million (which takes into account the District's current outstanding general obligation bonded debt, in the amount of $27,015,000 before the issuance of the Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

***Factors and Risks Relating to Increases/Decreases in Assessed Value.*** Economic Conditions; Natural or Manmade Disasters. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, outbreaks of disease, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters which include but are not limited to earthquakes, fires/wildfires, floods, drought, mudslides and the consequences of climate change such as heat waves, droughts, sea level rise, extreme rain and floods, which could have an impact on assessed values. The State including the region in which the District is located has in recent years experienced significant natural disasters such as earthquakes, droughts, mudslides, wildfires and floods. Public health disasters such as the COVID-19 pandemic could also have direct and indirect impacts on economic conditions and property values.

Fire Risk and Recent Fire Events. In recent years there have been significant and generally unpredictable fire events within and around District boundaries. Fire and related events can cause damage and destruction to properties and cause assessed valuations to be reduced at times significantly, if not offset by assessed value increases.

Risk of Drought and Dry Conditions. The State has in recent years experienced periods of drought. Drought can result in limitations on water usage, as well as lead to dry conditions conducive to fires. According to the U.S. Drought Monitor, the County, and most of northern California, is currently not experiencing abnormally dry or drought conditions.

Earthquake Risk. The District is in a region with several earthquake fault lines. Earthquakes can cause significant property damage particularly to unretrofitted buildings. Such events cannot be predicted.

Global Pandemic/Outbreak of Disease. The outbreak of COVID-19 and the related pandemic of 2020 resulted in an economic recession that could cause general marked declines in property values. The District cannot predict other outbreaks of disease or pandemics which could occur in the future.

Future Conditions Unknown. The District cannot predict or make any representations regarding the effects that any disasters and related conditions, have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

For a description of the assessed value appeal process in the State and related legislation, see also "-Reassessment and Appeals of Assessed Values" below.

## Assessed Value by Jurisdiction

The following table shows assessed value by jurisdiction in the District for fiscal year 2024-25.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**2024-25 Assessed Valuation by Jurisdiction**

| Jurisdiction: | Assessed Valuation in District | % of District | Assessed Valuation of Jurisdiction | % of Jurisdiction in District |
|---|---|---|---|---|
| City of Scotts Valley | $3,813,041,391 | 66.01% | $3,813,118,241 | 100.00% |
| Unincorporated Santa Cruz County | 1,963,458,396 | 33.99 | $34,934,633,944 | 5.62% |
| Total District | $5,776,499,787 | 100.00% | | |
| Santa Cruz County | $5,776,499,787 | 100.00% | $61,100,607,672 | 9.45% |

*Source: California Municipal Statistics, Inc.*

## Parcels by Land Use

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2024-25.

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

| | 2024-25 Assessed Valuation(1) | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| **Non-Residential:** | | | | |
| Agricultural/Rural | $114,098,381 | 2.03% | 585 | 7.34% |
| Commercial | 323,199,279 | 5.74 | 150 | 1.88 |
| Vacant Commercial | 19,651,648 | 0.35 | 28 | 0.35 |
| Hotel/Motel | 75,383,690 | 1.34 | 8 | 0.10 |
| Industrial | 133,448,380 | 2.37 | 68 | 0.85 |
| Vacant Industrial | 863,076 | 0.02 | 4 | 0.05 |
| Recreational/Retreat Facility | 67,041,396 | 1.19 | 49 | 0.62 |
| Government/Social/Institutional | 38,954,829 | 0.69 | 114 | 1.43 |
| Miscellaneous | 727,235 | 0.01 | 230 | 2.89 |
| Subtotal Non-Residential | $773,367,914 | 13.74% | 1,236 | 15.52% |
| **Residential:** | | | | |
| Single Family Residence | $4,047,458,306 | 71.93% | 4,697 | 58.97% |
| Condominium/Townhouse | 480,218,025 | 8.53 | 756 | 9.49 |
| Mobile Home | 122,846,207 | 2.18 | 594 | 7.46 |
| Mobile Home Park | 39,938,391 | 0.71 | 7 | 0.09 |
| 2-4 Residential Units | 92,695,780 | 1.65 | 141 | 1.77 |
| 5+ Residential Units/Apartments | 38,127,133 | 0.68 | 20 | 0.25 |
| Vacant Residential | 32,342,799 | 0.57 | 514 | 6.45 |
| Subtotal Residential | $4,853,626,641 | 86.26% | 6,729 | 84.48% |
| **Total** | $5,626,994,555 | 100.00% | 7,965 | 100.00% |

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

## Per Parcel Assessed Valuation of Single-Family Homes

The following table sets forth the per parcel assessed valuation of single-family homes in the District for fiscal year 2024-25, including the average and median assessed valuation per parcel.

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

| | No. of Parcels | 2024-25 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| Single Family Residential | 4,697 | $4,047,458,306 | $861,711 | $799,454 |

| 2024-25 Assessed Valuation | No. of Parcels [(1)] | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $99,999 | 186 | 3.960% | 3.960% | $ 11,057,393 | 0.273% | 0.273% |
| $100,000 - $199,999 | 313 | 6.664 | 10.624 | 46,308,446 | 1.144 | 1.417 |
| $200,000 - $299,999 | 244 | 5.195 | 15.819 | 61,156,534 | 1.511 | 2.928 |
| $300,000 - $399,999 | 277 | 5.897 | 21.716 | 96,958,213 | 2.396 | 5.324 |
| $400,000 - $499,999 | 341 | 7.260 | 28.976 | 152,957,332 | 3.779 | 9.103 |
| $500,000 - $599,999 | 331 | 7.047 | 36.023 | 181,301,696 | 4.479 | 13.582 |
| $600,000 - $699,999 | 314 | 6.685 | 42.708 | 203,598,811 | 5.030 | 18.613 |
| $700,000 - $799,999 | 343 | 7.303 | 50.011 | 257,256,962 | 6.356 | 24.969 |
| $800,000 - $899,999 | 339 | 7.217 | 57.228 | 287,906,059 | 7.113 | 32.082 |
| $900,000 - $999,999 | 377 | 8.026 | 65.254 | 357,764,365 | 8.839 | 40.921 |
| $1,000,000 - $1,099,999 | 328 | 6.983 | 72.238 | 344,112,609 | 8.502 | 49.423 |
| $1,100,000 - $1,199,999 | 248 | 5.280 | 77.518 | 284,302,560 | 7.024 | 56.447 |
| $1,200,000 - $1,299,999 | 208 | 4.428 | 81.946 | 260,025,388 | 6.424 | 62.872 |
| $1,300,000 - $1,399,999 | 177 | 3.768 | 85.714 | 238,676,413 | 5.897 | 68.769 |
| $1,400,000 - $1,499,999 | 141 | 3.002 | 88.716 | 204,630,846 | 5.056 | 73.824 |
| $1,500,000 - $1,599,999 | 101 | 2.150 | 90.867 | 156,724,512 | 3.872 | 77.697 |
| $1,600,000 - $1,699,999 | 86 | 1.831 | 92.697 | 142,003,223 | 3.508 | 81.205 |
| $1,700,000 - $1,799,999 | 64 | 1.363 | 94.060 | 111,760,606 | 2.761 | 83.966 |
| $1,800,000 - $1,899,999 | 44 | 0.937 | 94.997 | 81,421,045 | 2.012 | 85.978 |
| $1,900,000 - $1,999,999 | 47 | 1.001 | 95.997 | 91,807,765 | 2.268 | 88.246 |
| $2,000,000 and greater | 188 | 4.003 | 100.000 | 475,727,528 | 11.754 | 100.000 |
| | 4,697 | 100.000% | | $4,047,458,306 | 100.000% | |

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

## Reassessments and Appeals of Assessed Value

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

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

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

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

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

**Teeter Plan; Property Tax Collections**

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The current practice of the County under the Teeter Plan is to pay the District 100% of the *ad valorem* taxes payable annually to the District in connection with general obligation bond indebtedness and to retain any penalties or delinquencies collected to offset such gross payment. However, the District cannot predict the impact, if any, that changes or modifications to property tax collection procedures might have on the County's Teeter Plan.

Finally, the ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster.

The following table shows secured tax charges and delinquencies for secured property in the District for property within the District for fiscal years 2019-20 through 2023-24 without regard to the Teeter Plan.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Secured Tax Charges and Delinquencies**
**Fiscal Years 2019-20 through 2023-24**

| Fiscal Year | Secured Tax Charge (1) | Amount Delinquent June 30 | Percent Delinquent June 30 |
|---|---|---|---|
| 2019-20 | $3,825,119.40 | $56,986.14 | 1.49% |
| 2020-21 | 3,624,892.26 | 56,601.20 | 1.56 |
| 2021-22 | 3,694,555.64 | 43,647.48 | 1.18 |
| 2022-23 | 3,812,235.20 | 55,170.85 | 1.45 |
| 2023-24 | 3,657,336.35 | 57,943.25 | 1.58 |

(1) All taxes collected by the County on property in the Distri ct.
*Source: California Municipal Statistics, Inc.*

*There can be no assurances that the County will continue the Teeter Plan in the future, or that the County will not discontinue the Teeter Plan or remove the District from the Teeter Plan in the future.*

## Tax Rates

The table below summarizes the recent historical total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 4-050 and 4-053 (a typical tax rate area in the District).

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Typical Tax Rates**
**(Tax Rate Area 4-050 and 4-053(1))**
**Dollars per $100 of Assessed Valuation**
**Fiscal Years 2020-21 through 2024-25**

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|---|---|
| General | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 |
| Scotts Valley Unified School District | .077672 | .076107 | .071782 | .066545 | .067712 |
| Cabrillo Community College District | .024746 | .023703 | .024048 | .024343 | .015332 |
| Total | 1.102418 | 1.099810 | 1.095830 | 1.090888 | 1.083044 |

(1) 2024-25 assessed valuation of TRA 4-050 is $1,560,219,259 which is 27.01% of the district's total assessed valuation.
2024-25 assessed valuation of TRA 4-053 is $1,577,569,383 which is 27.31% of the district's total assessed valuation.
*Source: California Municipal Statistics, Inc.*

**Top 20 Property Owners**

The 20 taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2024-25 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Top 20 Secured Property Taxpayers**
**Fiscal Year 2024-25**

| | Property Owner | Primary Land Use | 2024-25 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | 1440 Devco LLC | Retreat/Event Facility | $ 57,943,670 | 1.03% |
| 2. | Ashford Scotts Valley LP | Hotel | 35,276,000 | 0.63 |
| 3. | Fit Ren Oak Tree Villa LP | Retirement Home | 31,087,007 | 0.55 |
| 4. | Scotts Valley Hotel LP | Hotel | 26,497,212 | 0.47 |
| 5. | Scotts Village LLC | Shopping Center | 23,445,732 | 0.42 |
| 6. | Carefree Communities CA LLC | Mobile Home Park | 21,323,952 | 0.38 |
| 7. | GCBC Investments LLC | Office Building | 20,919,814 | 0.37 |
| 8. | William R. & Linda J. Gilbert, Trustees | Industrial | 13,994,704 | 0.25 |
| 9. | Kings Village LLC | Industrial | 13,809,750 | 0.25 |
| 10. | Pasatiempo Inc. | Golf Course | 13,612,810 | 0.24 |
| 11. | David L. Ow, Trustee | Shopping Center | 12,408,832 | 0.22 |
| 12. | American Yiluen Development & Holdings | Office Building | 12,121,795 | 0.22 |
| 13. | Sammie Rae Abitbol LLC | Office Building | 11,859,341 | 0.21 |
| 14. | S & A Ito Family Partnership | Shopping Center | 11,541,890 | 0.21 |
| 15. | 5550 Scotts Valley Drive LLC | Office Building | 10,105,955 | 0.18 |
| 16. | Carbonero Creek Associates | Industrial | 9,625,079 | 0.17 |
| 17. | Bruce Canepa | Industrial | 9,128,302 | 0.16 |
| 18. | Michael & Denine Butcher | Residential Properties | 9,074,656 | 0.16 |
| 19. | Mountain Brook of SV Mobile Home Owners | Mobile Home Park | 8,769,627 | 0.16 |
| 20. | Asquith Investments Limited | Residential Properties | 8,453,461 | 0.15 |
| | | | $360,999,589 | 6.42% |

(1) 2024-25 Local Secured Assessed Valuation: $5,626,994,555.
*Source: California Municipal Statistics, Inc.*

## Direct and Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. with respect to debt as of April 1, 2025. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**Statement of Direct and Overlapping Bonded Debt**
**as of April 1, 2025**

**2024-25 Assessed Valuation**: $5,776,499,787

| **DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:** | **% Applicable** | **Debt 4/1/25** | |
|---|---|---|---|
| Cabrillo Joint Community College District | 9.375% | $ 7,967,404 | |
| **Scotts Valley Unified School District** | **100.000** | **27,015,000** | (1) |
| Santa Cruz County 1915 Act Bonds | 100.000 | 1,602,554 | |
| Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 | 10.420 | 3,620,429 | |
| City of Scotts Valley Community Facilities District No. 97-1 | 99.998 | 1,344,973 | |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $41,550,360 | |
| | | | |
| **DIRECT AND OVERLAPPING GENERAL FUND DEBT**: | | | |
| Santa Cruz County Certificates of Participation | 9.454% | $15,621,168 | |
| Santa Cruz County Pension Obligation Bonds | 9.454 | 10,239,627 | |
| Santa Cruz County Office of Education Certificates of Participation | 9.454 | 605,494 | |
| **Scotts Valley Unified School District** | **100.000** | **9,250,000** | |
| City of Scotts Valley General Fund and Pension Obligation Bonds | 99.998 | 6,364,873 | |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $42,081,162 | |
| | | | |
| **OVERLAPPING TAX INCREMENT DEBT (Successor Agency)**: | | $8,739,563 | |
| | | | |
| COMBINED TOTAL DEBT | | $92,371,085 | (2) |

**Ratios to 2023-24 Assessed Valuation**:
**Direct Debt ($27,015,000) ......................................................0.47%**
Total Direct and Overlapping Tax and Assessment Debt.........0.72%
**Combined Direct Debt ($36,265,000)....................................0.63%**
Combined Total Debt...............................................................1.60%

**Ratio to Redevelopment Incremental Valuation ($1,234,019,262):**
Total Overlapping Tax Increment Debt.....................................0.71%

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

## TAX MATTERS

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

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

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

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

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Federally Tax-Exempt Bond (said term being the shorter of its maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Federally Tax-Exempt Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Federally Tax-Exempt Bond is amortized each year over the term to maturity of the Federally Tax-Exempt Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized premium is not deductible for federal income tax purposes.

Owners of premium Federally Tax-Exempt Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Federally Tax-Exempt Bond.

Bond Counsel observes that interest on the Series B Refunding Bonds is not intended by the District to be excluded from gross income for federal income tax purposes.

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

***Other Tax Considerations.*** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

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

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

***Forms of Opinions***. A copy of the proposed forms of the opinions of Bond Counsel are attached hereto as APPENDIX D.

# CERTAIN LEGAL MATTERS

## Legality for Investment

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

## Absence of Material Litigation

Absence of Pending or Threatened Litigation Relating to the Bonds. No litigation is pending or threatened, nor is any audit or investigation premised on any assertion, concerning or contesting the validity of the Bonds or the District's ability to receive *ad valorem* property taxes and to collect other revenues, or contesting the District's ability to issue and retire the Bonds. The District is not aware of any litigation pending or threatened, nor is any audit or investigation premised on any assertion, questioning the political existence 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 (defined herein) at the time of the original delivery of the Bonds.

Absence of Material Litigation. The District is subject to lawsuits and claims that arise in the regular course of operating a public school district. In the opinion of the District, the aggregate amount of uninsured liabilities of the District under existing lawsuits and claims will not materially affect the financial position or operations of the District. The District maintains property and liability coverage and workers' compensation coverage. For more information on the District's insurance coverages, see APPENDIX A under the heading "GENERAL DISTRICT INFORMATION –Risk Management; Insurance."

## Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel and Disclosure Counsel to the District, Isom Advisors, a Division of Urban Futures, Inc., as municipal advisor to the District (the **"Municipal Advisor"**), and Aparicio Law, Pasadena, California, as Underwriter's Counsel, is contingent upon issuance of the Bonds.

# CYBERSECURITY RISKS

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats and/or fraud including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to District or other third-party systems related to the District for the purposes of misappropriating assets or information, causing operational disruption or damage, demanding ransom for restored access to files or information. The District could also be the subject of cyber fraud events.

The District has taken steps to reduce the risk of cyber losses or events including partnering with the County Office of Education regarding cyber risk prevention precautions, off site back ups, updating software, and requiring staff participation in phishing training. The District has not in the previous five years had a major cyber breach to its systems. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District cannot predict what future cyber security events may occur, if any, with respect to it and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County Office of Education for certain purposes, and the County with respect to its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination agents and project management firms. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not directly or indirectly impact the District and the owners of the Certificates, including the possibility of impacting the timely payment of Lease Payments and corresponding payments of debt service on the Certificates, or timely filings pursuant to the Continuing Disclosure Certificate.

## CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently ends on June 30 of each year), commencing by March 31, 2026 with the report for the 2024-25 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated 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 S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of its outstanding debt. A review has been made of the District's undertakings and filings made in the previous five years and instances of non-compliance in said period are that a rating upgrade by Standard & Poor's which was released on July 29, 2022 was not timely filed. A remedial filing was made.

The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as its dissemination agent to assist it with its undertakings, including the undertaking in connection with the Bonds.

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.

## VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Series A-2 Bonds and the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay, when due, the principal and interest requirements of the 2023 Certificates and the Refunded Bonds, respectively. See "THE FINANCING AND REFINANCING PLAN." With respect to the Refunding Bonds which are issued on a federally tax-exempt basis, the Verification Agent will perform certain calculations to ensure that the Refunding Bonds are not arbitrage bonds within the meaning of the Tax Code.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

## RATING

Moody's Investors Service ("**Moody's**") has assigned a rating of "Aa2" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained only from Moody's. The District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement because it has been considered not material to making an investment decision in the Bonds). There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at the following prices:

> Series A-1 Bonds. $_____, which is equal to the initial principal amount of the Series A-1 Bonds of $______, plus [net] original issue premium of $_______, less an Underwriter's discount of $______.
>
> Series A-2 Bonds. $_____, which is equal to the initial principal amount of the Series A-2 Bonds of $______, plus [net] original issue premium of $_______, less an Underwriter's discount of $______.
>
> Refunding Bonds. $_____, which is equal to the initial principal amount of the Refunding Bonds of $______, plus [net] original issue premium of $_______, less an Underwriter's discount of $______.

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

The Underwriter may offer and sell Bonds to certain securities dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with industry due diligence standards but does not independently verify the accuracy of the information provided by the District. The Underwriter assumes no liability for any misstatements, omissions, or changes in financial condition subsequent to the date of this document.

## ADDITIONAL INFORMATION

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

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

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

*[Remainder of page intentionally left blank.]*

## EXECUTION

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

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**

By: ______________________________________

Superintendent

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# APPENDIX A

# GENERAL AND FINANCIAL INFORMATION ABOUT THE SCOTTS VALLEY UNIFIED SCHOOL DISTRICT

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

## GENERAL DISTRICT INFORMATION

### General Information

Located in the west hills of the Santa Cruz mountains, the District covers an area of approximately 21 square miles, encompassing an estimated population of 11,816 residents. The District is primarily residential, with territory which covers all of the City of Scotts Valley (the **"City"**), portions of unincorporated Santa Cruz County, and a very small portion of the City of Santa Cruz. The District consists of two elementary schools, one middle school and one high school. Three of the District's schools are located in the City. The fourth District school is located in an unincorporated portion of the County. Total enrollment in the District is approximately 2,106 students.

### Administration

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

**BOARD OF EDUCATION**
**Scotts Valley Unified School District**

| Name | Position | Term Expires |
|---|---|---|
| Roger Snyder | President | December 2026 |
| Lucia Rocha-Nestler | Vice President | December 2026 |
| Stephanie Espinola | Clerk | December 2028 |
| Erica Turzak | Trustee | December 2028 |
| Gary Redenbacher | Trustee | December 2028 |

***Superintendent and Administrative Personnel***. The Superintendent of the District, appointed by the Board of Education, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Tanya Krause is currently serving as the Superintendent and Michael Hanson serves as the Interim Director of Business Services, and is the Director of Human Resources. Below is a brief biography of the Superintendent.

*Tanya Krause, Superintendent*. Ms. Krause assumed the position of Superintendent of the District in July of 2016. Prior to serving as Superintendent, Ms. Krause served as Acting Superintendent at Campbell Union High School District, Deputy Superintendent, Human Resources at Campbell Union High School District and Assistant Superintendent, Human Resources at Santa Cruz City Schools. She earned her Bachelor of Arts degree from the University of California, Santa Cruz and her Master's degree at Santa Clara University.

## Recent Enrollment and Average Daily Attendance

The following table shows recent enrollment history and average daily attendance ("**ADA**") for the District, including charter schools.

**ANNUAL ENROLLMENT**
**Fiscal Years 2017-18 through 2024-25 (Projected)**
**Scotts Valley Unified School District**

| School Year | Enrollment† | % Change | Funded ADA | %Change |
|---|---|---|---|---|
| 2017-18 | 2,470 | --% | 2,362 | --% |
| 2018-19 | 2,421 | (2.0) | 2,345 | (0.7) |
| 2019-20 | 2,445 | 1.0 | 2,349 | 0.2 |
| 2020-21* | 2,237 | (8.5) | 2,353 | 0.2 |
| 2021-22 | 2,182 | (2.5) | 2,039 | (13.3) |
| 2022-23 | 2,168 | (0.6) | 1,989 | (2.5) |
| 2023-24 | 2,107 | (2.8) | 1,971 | (0.9) |
| 2024-25(1) | 2,106 | 0.0 | 1,982 | 0.6 |

† Figures presented in chart exclude enrollment of students at independent charter school sponsored by the District described below.
*The COVID-19 pandemic commenced during the 2019-20 fiscal year in approximately March 2020.
(1) Second Interim projections.
*Source: Scotts Valley Unified School District.*

There is one independent charter school operating in and sponsored by the District, being California Connections Academy Monterey Bay (Charter No. 2056). This is a wholly virtual charter school operating since 2019, serving grades K-12. California Online Public Schools operates the network of six public online schools of which the charter is a part.

## Employee Relations

In fiscal year 2024-25 the District is budgeted for 116.1 full time equivalent (**"FTE"**) certificated employees, 58.7 FTE classified employees and 16.0 management/Supervisor/Confidential FTE employees.

Certificated, non-management employees are represented by the bargaining unit shown below.

**BARGAINING UNIT***
**Scotts Valley Unified School District**

| Bargaining Unit | Employee Type Represented* | Contract Expiration Date |
|---|---|---|
| Scotts Valley Education Association | Certificated Non-Management | June 30, 2027† |

**Classified and management employees are not represented by a union bargaining unit.*
*Source: Scotts Valley Unified School District.*

Classified employees belong to one of three non-union bargaining groups with which the District negotiates by “meet and confer.” Management (both certificated and classified) belong to a fourth non-union bargaining group, which also negotiates with the District by “meet and confer.”

Compensation is settled through fiscal year 2024-25.

**Risk Management; Insurance; JPAs**

The District has a risk management program in place to minimize potential losses from certain events.

The District participates in four joint powers agreements (**“JPA’s”)**: Santa Cruz County Schools Health Insurance Group, the Santa Cruz-San Benito County Schools Insurance Group, Self-Insured Schools of California, and the Southern Peninsula Region Insurance Group. The relationship between the District and the JPA’s are such that the JPA’s are not a component unit of the District for financial reporting purposes.

The Southern Peninsula Region Insurance Group arranges for and provides coverage for property and liability claims and secures excess liability coverage from School’s Association for Excess Risk. The District pays premiums commensurate with the level of coverage requested.

The Santa Cruz-San Benito County School Insurance Group provides for the payment of workers compensation claims.

The Santa Cruz County Schools Health Insurance Group arranges for and provides vision and dental insurance benefits for its member school districts. The District pays a premium commensurate with the level of coverage requested. The Self-Insured Schools of California Insurance Group arranges and provides medical insurance benefits. The District has recently amended the insurance coverage provided to employees which include caps on District contributions. The District expects to realize financial savings as a result estimated at $85,000 per annum.

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

## DISTRICT FINANCIAL INFORMATION

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

### Education Funding Generally

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

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the Average Daily Attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of a district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues that exceeded their revenue limit entitlements were deemed a "Basic Aid District" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded their revenue limit funding entitlement. A district which was not a Basic Aid District was known as a "Revenue Limit District."

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

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

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

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

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

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. The legislation implementing LCFF also included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

In 2021, legislation was passed that requires school districts operating a kindergarten program to also provide a transitional kindergarten (**"TK"**) program for all 4-year-old children by fiscal year 2025–26.Funding levels used in the LCFF entitlement calculations for fiscal year 2024-25 are set forth in the following table.

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

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

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

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

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

Basic Aid or Community Supported districts are school districts which have local property tax revenues which exceed such district's funding entitlement under LCFF. As such, in lieu of State funding under LCFF, Basic Aid districts are entitled to keep the full share of local property tax revenues, even the amount which exceeds its funding entitlement under LCFF. The District's funding formula is currently determined pursuant to LCFF, and <u>not</u> as a Basic Aid district.

**District Accounting Practices**

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

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

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

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United

States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

**Financial Statements**

***General***. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2024 Audited Financial Statements were prepared by Christy White, Inc., San Diego, California and are attached hereto as Appendix B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at Scotts Valley Unified School District, 108 Whispering Pines Drive, Suite 115 Scotts Valley, CA 95066. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

*Remainder of page intentionally left blank.*

***General Fund Revenues, Expenditures and Changes in Fund Balance***. The following table shows the audited income and expense statements for the District for the fiscal years 2019-20 through 2023-24.

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**Fiscal Years 2019-20 through 2023-24 (Audited)**
**Scotts Valley Unified School District**

| | Audited 2019-20 | Audited 2020-21 | Audited 2021-22 | Audited 2022-23 | Audited 2023-24 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| LCFF | $20,860,796 | $20,183,870 | $22,325,654 | $23,736,773 | $24,919,216 |
| Federal Revenue | 673,038 | 1,426,399 | 1,721,202 | 2,499,370 | 1,051,981 |
| Other State Revenue | 2,051,929 | 3,223,551 | 3,057,148 | 4,917,106 | 2,651,580 |
| Other Local Revenue | 2,268,273 | 1,963,358 | 2,009,178 | 2,313,480 | 3,993,837 |
| Total Revenues | 25,854,036 | 26,797,178 | 29,113,182 | 33,466,729 | 32,616,614 |
| **Expenditures** | | | | | |
| Instruction | 15,221,967 | 15,078,038 | 15,272,909 | 17,756,589 | 19,041,714 |
| Instruction-Related Activities: | | | | | |
| Supervision of Instruction | 654,936 | 655,411 | 607,843 | 842,730 | 746,116 |
| Instructional Library, Media, Tech | 539,038 | 453,983 | 1,274,873 | 739,724 | 1,034,715 |
| School Site Administration | 1,736,938 | 1,882,284 | 2,132,322 | 2,244,779 | 2,549,962 |
| Pupil Services: | | | | | |
| Home-to-School Transport | 213,668 | 28,089 | 259,724 | 319,451 | 429,756 |
| Food Services | -- | 15,706 | -- | -- | -- |
| All Other Pupil Services | 1,444,070 | 1,423,080 | 1,842,861 | 2,490,492 | 2,908,055 |
| General Administration: | | | | | |
| Data Proc. | 94,539 | 134,173 | 138,936 | 131,467 | 127,570 |
| All Other General Administration | 1,459,958 | 1,593,168 | 1,812,628 | 2,298,870 | 2,467,435 |
| Plant Services | 1,875,652 | 1,825,523 | 2,422,740 | 2,661,311 | 3,034,605 |
| Facility Acquisition and Maintenance | 75,709 | 18,808 | 622,781 | 1,095,097 | 346,965 |
| Ancillary Services | 233,993 | 158,599 | 205,826 | 266,778 | 270,147 |
| Community services | 6,547 | 2,228 | 1,000 | 3,000 | 4,000 |
| Transfer to other agencies | 21,973 | 3,151 | 4,200 | 3,370 | 2,947 |
| Debt Service: Principal | 30,000 | -- | -- | -- | -- |
| Debt Service: Interest | 93,711 | -- | -- | -- | -- |
| Total Expenditures | 23,702,699 | 23,272,241 | 26,598,643 | 30,853,658 | 32,963,987 |
| Excess/Deficiency of revenues over/under expenditures | 2,151,337 | 3,524,937 | 2,514,539 | 2,613,071 | (347,373) |
| **Other Financing Sources (Uses)** | | | | | |
| Other sources | -- | -- | -- | -- | -- |
| Other uses | -- | -- | -- | -- | -- |
| Transfers in | -- | -- | -- | -- | -- |
| Transfers out | (40,929) | (1,040,472) | (433,536) | (395,288) | -- |
| Total Other Financing Sources (Uses) | (40,929) | (1,040,472) | (433,536) | (395,288) | -- |
| Net Change in Fund Balance | 2,110,408 | 2,484,465 | 2,081,001 | 2,217,783 | (347,373) |
| Fund Balance, July 1 | 6,093,734 | 8,204,142 | 10,688,607 | 12,755,691 | 14,973,474 |
| **Fund Balance, June 30** | **$8,204,142** | **$10,688,607** | **$12,769,608** | **$14,973,474** | **$14,626,101** |

*Source: Scotts Valley Unified School District's Audited Financial Statements.*

## District Budget and Interim Financial Reporting

***Budgeting and Interim Reporting Procedures.*** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Santa Cruz County Superintendent of Schools (the **"County Superintendent"**). The County Superintendent is separate from the County, and is not an official of the County.

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent 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 will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

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

***District's Budget Approval/Disapproval and Certification History.*** Each of the District's interim reports in the previous five fiscal years have been certified as positive. Copies of the District's budget, interim reports and certifications may be obtained upon request from the Scotts Valley Unified School District, 108 Whispering Pines Drive, Suite 115 Scotts Valley, CA 95066.

*Remainder of page intentionally left blank.*

***General Fund for Fiscal Year 2024-25 (Adopted Budget and Second Interim)***. The following table shows a summary of the general fund for fiscal year 2024-25 (adopted budget and second interim projections).

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE(1)**
**Fiscal Year 2024-25 (Adopted Budget and Second Interim Projections)**
**Scotts Valley Unified School District**

| **Revenues** | **Adopted Budget 2024-25** | **Second Interim 2024-25** |
|---|---|---|
| LCFF Revenues | $23,744,541 | $23,811,268 |
| Federal Revenues | 655,933 | 663,786 |
| Other State Revenues | 2,483,922 | 2,505,069 |
| Other Local Revenues | 2,119,055 | 2,386,794 |
| Total Revenues | 29,003,450 | 29,366,916 |
| | | |
| **Expenditures** | | |
| Certificated Salaries | 12,171,331 | 11,869,795 |
| Classified Salaries | 3,540,332 | 3,635,975 |
| Employee Benefits | 9,391,995 | 9,169,317 |
| Books and Supplies | 965,560 | 781,414 |
| Contract Services & Operating Exp. | 7,624,953 | 8,239,326 |
| Capital Outlay | -- | 158,934 |
| Other Outgo (excluding indirect costs) | 52,850 | 52,729 |
| Other Outgo – Transfers of Indirect Costs | -- | -- |
| Total Expenditures | 33,747,022 | 33,907,490 |
| | | |
| Excess of Revenues Over/(Under) Expenditures | (4,743,571) | (4,540,574) |
| | | |
| **Other Financing Sources (Uses)** | | |
| Operating transfers in | -- | -- |
| Operating transfers out | (50,000) | (50,000) |
| Other sources/uses | -- | -- |
| Total Other Financing Sources (Uses) | (50,000) | (50,000) |
| | | |
| Net change in fund balance | (4,793,571) | (4,590,574) |
| | | |
| Fund Balance, July 1 | 13,647,119 | 13,647,119 |
| Fund Balance, June 30 | $8,853,548 | $9,056,545 |

(1) Columns may not sum to totals due to rounding.
*Source: Scotts Valley Unified School District.*

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

Under State law (Education Code Section 42127.01), there are certain restrictions on the amount of reserves that can be maintained by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget shall not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in a fiscal year when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multiyear infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap.

The reserve cap was triggered in fiscal years 2022-23 and 2023-24 but was not triggered for fiscal year 2024-25 and is not projected to be triggered in fiscal year 2025-26. The District is exempt from the reserve cap because as a small school district its ADA is below the applicable limit.

**Attendance - Revenue Limit and LCFF Funding**

Funding Trends per ADA. As previously described, prior to fiscal year 2013-14, school districts in the State derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth total LCFF funding and ADA for the District in recent years.

**AVERAGE DAILY ATTENDANCE AND FUNDING TRENDS**
**Scotts Valley Unified School District**
**Fiscal Years 2020-21 through 2024-25 (Projected)**

| Fiscal Year | ADA | Total LCFF Funding |
|---|---|---|
| 2020-21 | 2,353 | $20,183,870 |
| 2021-22 | 2,039 | 22,325,654 |
| 2022-23 | 1,989 | 23,736,773 |
| 2023-24 | 1,971 | 24,919,216 |
| 2024-25(1) | 1,982 | 23,811,268 |

(1) Second Interim projections.
*Source: California Department of Education; Scotts Valley Unified School District.*

Unduplicated Pupil Count. The District has a Target Student unduplicated count of approximately 20.58%. Because this percentage is under 55%, the District does not qualify for concentration grant funding under LCFF.

## Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

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

In January 2025, the federal government announced possible cuts to federal funding for educational agencies. President Trump has also signed an executive order aimed at terminating the United States Department of Education. The District cannot predict the types of possible federal funding cuts that may occur, the extent of such cuts, if any, and the impact on the District's revenues or operations, if any, as a result of a possible termination of the Department of Education.

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

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

For additional discussion of State aid to school districts, see "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

***Other Local Revenue; Parcel Tax Revenues.*** In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources, and from a voter-approved parcel tax the revenues of which can be used for the educational purposes described in the measure.

The District's parcel tax, originally approved by District voters on November 6, 2018 in the amount of $108 per parcel for five years, was renewed by District voters on October 24, 2023 for a term of seven years in the amount of $168 per parcel. The District receives approximately $1 million per year from its renewed parcel tax.

**District Retirement Systems**

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

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

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

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

**STRS EMPLOYER CONTRIBUTION RATES**
**Effective Dates of July 1, 2020 through July 1, 2024**

| Effective Date | Employer Contribution Rate |
|---|---|
| July 1, 2020 | 16.15% |
| July 1, 2021 | 16.92 |
| July 1, 2022 | 19.10 |
| July 1, 2023 | 19.10 |
| July 1, 2024 | 19.10 |

*Source: STRS.*

The State also continues to contribute to STRS, and its contribution rate in fiscal year 2023-24 was 8.328% and will be 8.328% in fiscal year 2024-25.

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

**STRS Contributions**
**Scotts Valley Unified School District**

| Fiscal Year | Amount* |
|---|---|
| 2020-21 | $1,412,607 |
| 2021-22 | 1,528,618 |
| 2022-23 | 2,005,969 |
| 2023-24 | 2,201,059 |
| 2024-25(1) | 3,186,985 |

*Increases attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.
(1) Second Interim projections.
*Source: Scotts Valley Unified School District.*

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

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

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

**EMPLOYER CONTRIBUTION RATES (PERS)**
**Fiscal Years 2020-21 through 2024-25[(1)]**

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

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

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

**PERS Contributions**
**Scotts Valley Unified School District**

| Fiscal Year | Amount |
|---|---|
| 2020-21 | $517,629 |
| 2021-22 | 574,107 |
| 2022-23 | 803,853 |
| 2023-24 | 901,652 |
| 2024-25[(1)] | 895,376 |

(1) Second Interim projections.
*Source: Scotts Valley Unified School District.*

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

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

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

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

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

***Additional Information.*** Additional information regarding the District's retirement programs is available in Note 11 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

**Other Post-Employment Retirement Benefits**

***Plan Description***. The District's defined benefit OPEB plan, Scotts Valley Unified School District Retiree Benefit Plan (the "**Plan**") is described below. The Plan is a single-employer defined benefit plan administered by the District. The medical plan options for actives and retirees under 65 include Blue Cross, California Care, and Kaiser Permanente. Medicare coverage for retirees over 65 is provided through Blue Cross, California Care, and Companion Care. Delta Dental and VSP vision insurance are offered to both active employees and retirees of the District. Medical coverage is self-insured on a pooled basis through the Self-Insured Schools of California ("**SISC**"). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Membership of the Plan consists of 13 retirees and beneficiaries currently receiving benefits and 154 active Plan members.

***Contribution Information***. For the measurement period, the District contributed $81,301 to the Plan, all of which was used for current premiums.

***Actuarial Assumptions and Other Inputs.*** The District's total OPEB liability of $1,352,102 was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2023, using several actuarial assumptions.

***Changes in OPEB Liability of the District.*** The changes in OPEB liability of the District as of June 30, 2024, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY**
**Scotts Valley Unified School District**
**June 30, 2023 to June 30, 2024**

| | Total OPEB Liability |
|---|---|
| Service Cost | $54,108 |
| Interest | 52,159 |
| Changes of benefit terms | 134,530 |
| Difference between expected and actual experience | (367,584) |
| Changes of assumptions | (58,167) |
| Benefit payments | (81,301) |
| Net changes | (266,255) |
| Total OPEB liability - beginning | 1,618,357 |
| Total OPEB liability - ending | $1,352,102 |

*Source: Scotts Valley Unified District Audit Report.*

***OPEB Expense.*** For the year ended June 30, 2024, the District recognized an OPEB expense of $149,087.

For more information regarding the District's OPEB, see Note 10 of Appendix B to the Official Statement.

## Existing Debt Obligations

In addition to the District's ongoing obligations with respect to retirement plans and OPEB described above, the District has outstanding general obligation bond indebtedness, as well as certificates of participation and long-term leases payable from the general fund, as summarized below.

***General Obligation Bonds.*** The District has outstanding general obligation bonds or refunding bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District, as summarized in the following table and as more particularly described below.

**Summary of Outstanding General Obligation Bond Debt**
**Scotts Valley Unified School District**

| Dated Date | GO Bonds Series Designation | Original Principal Amount | Final Maturity Date | Outstanding April 1, 2025 |
|---|---|---|---|---|
| 09/19/2013 | 2013 General Obligation Refunding Bonds | $15,145,000 | 08/01/2027 | $3,935,000 |
| 01/29/2015 | Election of 2014 General Obligation Bonds, Series A(1) (2) | 15,000,000 | 08/01/2039 | 11,650,000 |
| 08/03/2017 | Election of 2014, General Obligation Bonds, Series B(1) | 20,000,000 | 08/01/2032 | 11,430,000 |
| | **Total** | **$50,145,000** | | **$27,015,000** |

(1) Issued pursuant to Measure A approved by District voters on June 3, 2014 which authorized up to $35 million in general obligation bonds for school facilities projects. The bonding authority pursuant to Measure A has been fully utilized and there remains no authorized but unissued bonds under Measure A.
(2) Expected to be refinanced in whole or in part with the proceeds of the Refunding Bonds described in this Official Statement.
*Source: District Audited Financial Statement; the Financial Advisor.*

Debt service on outstanding general obligation bonds, including refunding bonds, are payable from an *ad valorem* tax levied and collected by the County on assessed property in the District.

***2017 Lease Financing (Private Placement)***. On October 10, 2017 the District delivered a Lease and Sublease Agreement (the **"2017 Lease"**) in order to obtain financing in the principal amount of $4,190,000 to refinance 2007 Certificates of Participation. The financing was obtained on a private placement basis. Lease payments are required to be made semi-annually through September 1, 2036 from any lawfully available source of funds, including the District's general fund. As of this date $2,460,000 principal amount is outstanding under the 2017 Lease.

***2023 Certificates of Participation.*** On November 30, 2023, the District caused the delivery of 2023 Certificates of Participation in the principal amount of $6,950,000, bearing interest rates from 4.470-5.000%, with a final maturity date of September 1, 2053, all for the purpose of providing financing for solar and energy efficiency projects at District facilities. The 2023 Certificates are subject to prepayment as described herein under the heading "THE FINANCING AND REFINANCING PLAN", commencing on September 1, 2026. It is expected that the proceeds of the Series A-2 Bonds described in this Official Statement will provide for the prepayment in full of the 2023 Certificates.

***Compensated Absences.*** Total unpaid employee compensated absences as of June 30, 2024 amounted to $70,577. This amount is included as part of long-term liabilities in the government-wide financial statements.

### Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Santa Cruz County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See "APPENDIX G – SANTA CRUZ COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT."

### Effect of State Budget on Revenues

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

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

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

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

### State Budgeting for Education Generally

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

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

**The Budget Process**

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

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

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

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

**Available Public Resources**

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

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

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

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

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

**The 2024-25 State Budget**

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

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

The 2024-25 State Budget includes a $13.6 billion increase in revenues by means of additional revenue sources and internal borrowing from special funds, which incorporates suspension of net operating loss deductions for companies with over $1.0 million in taxable income and limits business tax credits to $5.0 million in fiscal years 2023-2024 through 2025-2026, and increased managed care organization tax generating $5.1 billion in fiscal year 2024-25, $4.6 billion in fiscal year 2025-26, and $4.0 billion in fiscal year 2026-27. Significantly, the 2024-25 State Budget provides for the withdrawal of approximately $12.2 billion from the State Rainy Day Fund (the "**Rainy Day Fund**") over fiscal years 2024-25 and 2025-26, and approximately $0.9 billion from the State Safety Net Reserve in fiscal year 2024-25.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***LAO Analysis of the 2024-25 State Budget.*** The Legislative Analyst's Office (the "**LAO**"), a nonpartisan State office which provides fiscal and policy information and advice to the State legislature, released its report on the 2024-25 State Budget entitled "The 2024-25 Budget: Overview of the Spending Plan" on September 6, 2024 (the "2024-25 State Budget Analysis"). In the 2024-25 State Budget Analysis, the LAO assesses the budget problem that was addressed in the 2024-25 State Budget and analyzes the major proposals for K-12 education.

The LAO estimates that the State addressed a budget shortfall of $55.0 billion, which is larger than the budget shortfall of $47.0 billion cited in the 2024-25 State Budget. The main driver for the $8.0 billion difference is the difference in treatment of assumptions about baseline spending for schools and community colleges.

The LAO notes that the 2024-25 State Budget uses various maneuvers to address the budget shortfall, including reserve withdrawals, spending reductions, revenue increases, and cost shifts. The LAO indicates that spending-related adjustments (including school spending) were the largest component of the budget package, accounting for $39.0 billion and approximately 70% of the total solutions. The LAO also shows that reserve withdrawals were the second largest component, totaling $6.0 billion from the State Rainy Day Fund and the Safety Net Reserve. The report further details that cost shifts and revenue-related solutions were smaller components, amounting to $2.0 billion and $8.0 billion, respectively. The LAO estimates $16.0 billion in one time or temporary spending solutions (excluding school spending) and $4.0 billion in ongoing reductions, which grow to approximately $6 billion over time.

The LAO notes that the budget emergency proclamation by the Governor on June 26, 2024 allowed the 2024-25 State Budget to withdraw approximately $5.0 billion from the State Rainy Day Fund. The 2024-25 State Budget also includes a withdrawal of the $900.0 million balance from the Safety Net Reserve.

The LAO estimates that, pursuant to the 2024-25 State Budget, the State would end the 2024-25 fiscal year with $21.1 billion in General Fund reserves, including$17.6 billion in the State Rainy Day Fund and $3.5 billion in the SFEU. The LAO also estimates that the State would have room under the State appropriations limit in fiscal years 2022-23 through 2024-25. The LAO projects that revenues from the major tax sources would grow from fiscal year 2023-24 to fiscal year 2024-25, but not enough to offset the revenue shortfalls in the prior and current fiscal years.

The LAO explains that the 2024-25 State Budget includes $12.7 billion in reductions to Proposition 98 funding for schools and community colleges over fiscal years 2022-23 through 2024-25. This includes a reduction to the Proposition 98 funding by $2.6 billion for fiscal year 2022-23. For fiscal year 2023-24, the 2024-25 State Budget invokes a provision allowing the State to suspend the minimum requirement and reduces the amount of Proposition 98 funding by $8.3 billion. The LAO states that these reductions lower the Proposition 98 requirement on an ongoing basis but create an obligation to increase funding more rapidly in the future. Additionally, the 2024-25 State Budget introduces a new type of fiscal maneuver that accrues $6.2 billion in previous school and community college payments to future fiscal years. Specifically, the State will not recognize these payments as a cost to the State general fund in the year it provided them, i.e., fiscal year 2022-23. The maneuver does not delay or reduce any payments to schools or community colleges, nor does it reduce the Proposition 98 funding requirement in future fiscal years.

The LAO notes that the 2024-25 State Budget contains reserve withdrawals from the Proposition 98 Rainy Day Fund to mitigate the funding reductions to schools in fiscal year 2023-24. Additionally, the LAO estimates cost savings because the Coronavirus Disease 2019 disease ("COVID-19") attendance policies preserving attendance numbers to pre-pandemic levels are being phased out. The LAO describes other minor savings for schools and community colleges from (1) deferring payments from fiscal year 2024-25 to fiscal year 2025-26, (2) reducing funding for the State Preschool program that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. The payment deferral involved deferring $487.0 million in payments from fiscal year 2024-25 to fiscal year 2025-26 by delaying a portion of payment to school districts from June 2025 to July 2025. The LAO notes that school districts may be exempt from this deferral if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in fiscal year 2024-25 to the minimum level required by Proposition 98.

The LAO indicates that after accounting for these actions, the State has $1.5 billion available to augment school and community college programs. The LAO highlights that the budget allocates $1.0 billion of this amount to cover a 1.07 percent cost-of-living adjustment for existing programs. For schools, the 2024-25 State Budget also provides an increase of $300.0 million to cover cost increases of universal school meals. For community colleges, the 2024-25 Budget also provides $75.0 million to cover increased costs.

The 2024-25 State Budget Analysis is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

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

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

**The 2025-26 State Budget Proposal**

The Governor sent the fiscal year 2025-26 budget proposal to the legislature on January 10, 2025 (the "**2025-26 State Budget Proposal**"). The 2025-26 Budget Proposal presents a balanced budget with what are noted as significant reserves in the coming fiscal year, resulting in an upgrade to the State's financial forecast in the near term and modest upward revisions in the long term. A stronger-than-anticipated performance of the economy, stock market, and cash receipts, combined with an improved economic outlook, are noted as contributors to an upgraded revenue forecast, with General Fund revenues, before accounting for transfers and tax policy proposals, projected to be higher by approximately $16.5 billion (2.7%) than was assumed in the 2024 Budget Act for the three-year budget window of fiscal years 2023-24 through 2025-26.

The 2025-26 Budget Proposal provides for $228.9 billion in general fund spending and nearly $17 billion in combined reserves—including nearly $11 billion in the State's Rainy Day Fund and an additional discretionary set-aside of $4.5 billion in the Special Fund for Economic Uncertainties. Although the proposal is noted as balanced, it anticipates shortfalls in subsequent fiscal years that are driven by expenditures exceeding revenues, noting additional decisions may be necessary at the May Revision to maintain a balanced budget in the coming year, and also on an ongoing basis. Noted risk factors relating to the economy and State revenues include stock market and asset price volatility and declines, particularly those affecting high-income earners - as well as geopolitical instability.

Certain budgeted programs and adjustments for K-12 education set forth in the 2025-26 Budget Proposal include Proposition 98 funding for K-14 schools set at $118.9 billion for 2025-26, and a LCFF cost-of-living adjustment of 2.43%. The proposal also reflects full implementation of universal transitional kindergarten, increased funding for universal school meals, and implementation of grants that will be fully disbursed in 2025-26 to support the community school model to support improved educational outcomes at more than 2,000 public schools.

The 2025-26 Budget Proposal includes a $100 million one-time Proposition 98 General Fund for California community colleges to expand Credit for Prior Learning and to begin building the infrastructure for the State's first "Career Passport." The Career Passport system will allow students to create formal documentation of their marketable skills and abilities developed through work, classes, apprenticeships, internships or other experiences both inside and outside the classroom, with the intent of scaling the system in future years to be applicable at both the secondary and higher education levels. The 2025-26 Budget Proposal also allocates $500 million in one-time funding for literacy and mathematics coaches in high-poverty schools.

The proposal notes that it is maintaining efficiency reductions included in the 2024 Budget Act intended to address ongoing statewide General Fund budget pressures, and that California State University should continue planning for a reduction of 7.95% in ongoing General Fund support starting in the 2025-26 fiscal year, with the University of California subject to a similar reduction of 7.95%.

The May Revise will be released by the Governor on or before May 14, 2025 and will update the budget proposal with revised economic and revenue outlooks and other estimates and assumptions, and may contain modifications to or removal of policy initiatives included in the January proposal.

For the full text of the 2025-26 State Budget Proposal, see the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. *The references to these Internet* *websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

***LAO Analysis of the 2025-26 State Budget Proposal.*** The LAO released its report on the 2025-26 State Budget Proposal entitled “The 2025-26 Budget: Overview of the Governor’s Budget” on January 13, 2025 (the “**2025-26 State Budget Proposal Analysis**”). In the 2025-26 State Budget Proposal Analysis, the LAO notes that the underlying condition of the Governor’s budget is roughly balanced. However, the LAO (and the 2025-26 State Budget Proposal) anticipates budget deficits in future years and recommends action from the Governor and the State legislature. In addition, while the 2025-26 State Budget Proposal’s upgraded revenue forecast is reasonable considering recent collection trends, the LAO is concerned that these gains are largely tied to gains in the stock market and not to improvements in the State’s broader economy. Furthermore, the 2025-26 State Budget Proposal Analysis recommends that the State legislature continue to develop a plan to address future budget problems as existing underlying budget dynamics (i.e., revenues have not caught up with expenditures, expenditure growth exceeds estimated revenue growth, and the legislature’s use of one-time funds) pose especially challenging trade-offs in addressing future deficits. Finally, the LAO notes that while the Governor’s proposals for rethinking the State’s reserve policies are merited, it believes that further changes are warranted, including, increases to the amount of funds that are saved each year.

The 2025-26 State Budget Proposal Analysis is available on the LAO website at https://lao.ca.gov/Publications/Report/4951. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

### Legal Challenges to State Funding of Education

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

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

### Constitutionally Required Funding of Education

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

### Article XIIIA of the California Constitution

***Basic Property Tax Levy.*** On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, (b) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (c) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the District, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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

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

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

**Article XIIIB of the California Constitution**

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

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

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

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

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

**Unitary Property**

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

**Articles XIIIC and XIIID of the California Constitution**

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (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.

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

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the property tax revenues available to pay debt service on the Bonds.

**Proposition 98**

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

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

**Proposition 111**

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

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

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

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

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

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

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

**Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as **"Proposition 39"**) to the California Constitution. This amendment (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, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (a) any local government debts approved by the voters prior to July 1, 1978 or (b) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (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 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

The 2020A Bonds described in this Official Statement were authorized pursuant to the provisions of Proposition 39 and will be issued in compliance with Proposition 39 and its related legislation. The 2023 Refunding Bonds will refund bonds issued pursuant to the provisions of Proposition 39.

**Proposition 1A and Proposition 22**

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

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

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

**Proposition 30 and Proposition 55**

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment, also known as **“Proposition 30”**, temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases for such period the marginal personal income tax rate by: (a) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head of household filers and over $500,000 but less than $600,000 for joint filers), (b) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head of household filers and over $600,000 but less than $1,000,000 for joint filers), and (c) 3% for taxable income over $500,000 for single filers (over $680,000 for head of household filers and over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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

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

**California Senate Bill 222**

Senate Bill 222 (**"SB 222"**) was signed by the California Governor on July 13, 2015, and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* property tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds, such as the Bonds, as secured debt in bankruptcy due to the existence of a statutory lien.

**Proposition 19**

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (**"Proposition 19"**), which amends Article XIIIA to (i) expand as of April 1, 2021 special rules that govern the transfer of a residential property's tax base value to a replacement residence for homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home anywhere within the State, (ii) narrows as of February 16, 2021 existing special rules for the valuation of inherited real property due to a transfer between family members, and (iii) allocates most resulting State revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes. The District cannot predict whether the implementation of Proposition 19 will increase, decrease or have no overall impact on the District's assessed values.

**Proposition 2 (2024)**

The Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair and Safety Bond Act of 2024, also known as "Proposition 2", was approved by State voters at the November 5, 2024 statewide election, and authorizes the sale and issuance of $10 billion in State general obligation bonds for the repair, upgrade and construction of facilities at K-12 public schools (including charter schools), community colleges and career technical education programs, including the improvement of health and safety conditions and classroom upgrades.

Proposition 2 includes $3.3 billion for the construction of new K-12 facilities and an additional $4 billion for the modernization of existing K-12 facilities. Up to 10% of the allocation for new constructions and modernization will be reserved for school districts with an enrollment of fewer than 2,501 students. Of the $4 billion assigned for modernization of existing K-12 facilities, up to $115 million will be allocated for the remediation of lead in water at school facilities. Generally, 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. However, some districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of $1.2 billion will be available for the modernization and new construction of charter school facilities ($600 million) and technical education facilities ($600 million). The State will award funds to technical education and charter school through an application process, and charter schools must be deemed financially sound before project approval.

**Future Initiatives**

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

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# APPENDIX B

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2023-24

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# SCOTTS VALLEY UNIFIED SCHOOL DISTRICT

**AUDIT REPORT**
**JUNE 30, 2024**

SCOTTS VALLEY UNIFIED SCHOOL DISTRICT

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
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# FINANCIAL SECTION

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

# REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Scotts Valley Unified School District
Scotts Valley, California

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scotts Valley Unified School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Scotts Valley Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Scotts Valley Unified School District, as of June 30, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Scotts Valley Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

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***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions 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 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.

***Supplementary Information***

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

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2025 on our consideration of the Scotts Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Scotts Valley Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scotts Valley Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
February 25, 2025

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## MANAGEMENT'S DISCUSSION AND ANALYSIS

**INTRODUCTION**

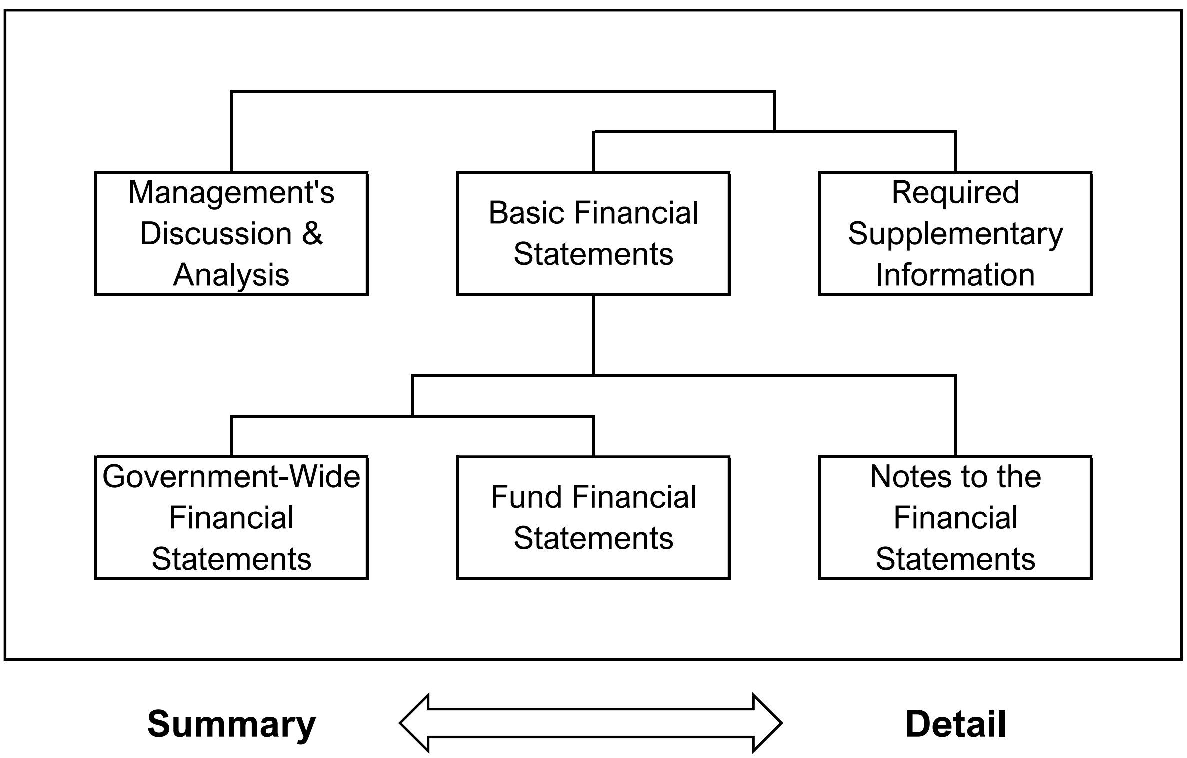
Our discussion and analysis of Scotts Valley Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's net position was $29,497,700 at June 30, 2024. This was an increase of $1,824,062 from the prior year.
- Overall revenues were $37,830,341, which exceeded expenses of $36,006,279.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financial Section**



## OVERVIEW OF FINANCIAL STATEMENTS (continued)

### Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

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

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

### Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

### Net Position

The District's net position was $29,497,700 at June 30, 2024, as reflected in the table below. Of this amount, $(8,530,108) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

| | Governmental Activities | | |
|---|---|---|---|
| | **2024** | **2023** | **Net Change** |
| **ASSETS** | | | |
| Current and other assets | $ 32,489,608 | $ 28,440,871 | $ 4,048,737 |
| Capital assets | 57,827,734 | 56,541,884 | 1,285,850 |
| **Total Assets** | 90,317,342 | 84,982,755 | 5,334,587 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 7,338,069 | 5,978,850 | 1,359,219 |
| **LIABILITIES** | | | |
| Current liabilities | 8,264,225 | 8,525,492 | (261,267) |
| Long-term liabilities | 57,751,134 | 51,970,898 | 5,780,236 |
| **Total Liabilities** | 66,015,359 | 60,496,390 | 5,518,969 |
| **DEFERRED INFLOWS OF RESOURCES** | 2,142,352 | 2,791,577 | (649,225) |
| **NET POSITION** | | | |
| Net investment in capital assets | 21,708,786 | 19,438,227 | 2,270,559 |
| Restricted | 16,319,022 | 12,072,551 | 4,246,471 |
| Unrestricted | (8,530,108) | (3,837,140) | (4,692,968) |
| **Total Net Position** | $ 29,497,700 | $ 27,673,638 | $ 1,824,062 |

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

| | Governmental Activities | | |
|---|---|---|---|
| | 2024 | 2023 | Net Change |
| **REVENUES** | | | |
| Program revenues | | | |
| Charges for services | $ 39,357 | $ 142,411 | $ (103,054) |
| Operating grants and contributions | 4,725,679 | 8,129,002 | (3,403,323) |
| General revenues | | | |
| Property taxes | 24,208,008 | 22,824,670 | 1,383,338 |
| Unrestricted federal and state aid | 6,376,883 | 6,667,595 | (290,712) |
| Other | 2,480,414 | (156,647) | 2,637,061 |
| **Total Revenues** | 37,830,341 | 37,607,031 | 223,310 |
| **EXPENSES** | | | |
| Instruction | 18,158,706 | 14,822,250 | 3,336,456 |
| Instruction-related services | 4,349,757 | 3,282,555 | 1,067,202 |
| Pupil services | 3,793,738 | 3,146,533 | 647,205 |
| General administration | 2,598,427 | 2,269,763 | 328,664 |
| Plant services | 3,365,080 | 2,695,851 | 669,229 |
| Ancillary and community services | 512,826 | 477,957 | 34,869 |
| Debt service | 1,097,772 | 1,225,712 | (127,940) |
| Other outgo | 299,524 | 3,370 | 296,154 |
| Depreciation | 1,830,449 | 1,718,813 | 111,636 |
| **Total Expenses** | 36,006,279 | 29,642,804 | 6,363,475 |
| **Change in net position** | 1,824,062 | 7,964,227 | (6,140,165) |
| **Net Position - Beginning** | 27,673,638 | 19,709,411 | 7,964,227 |
| **Net Position - Ending** | $ 29,497,700 | $ 27,673,638 | $ 1,824,062 |

The cost of all our governmental activities this year was $36,006,279. The amount that our taxpayers ultimately financed for these activities through taxes was $24,208,008 because the remaining costs were paid by other governments and organizations who subsidized certain programs with grants and contributions.

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

### Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

| | Net Cost of Services | |
|---|---|---|
| | 2024 | 2023 |
| Instruction | $ 15,839,577 | $ 11,221,869 |
| Instruction-related services | 4,105,125 | 3,108,460 |
| Pupil services | 2,621,222 | 401,559 |
| General administration | 2,536,368 | 1,268,602 |
| Plant services | 3,174,159 | 2,637,800 |
| Ancillary and community services | 196,877 | 169,981 |
| Debt service | 1,097,772 | 1,225,712 |
| Transfers to other agencies | (160,306) | (381,405) |
| Depreciation | 1,830,449 | 1,718,813 |
| **Total** | $ 31,241,243 | $ 21,371,391 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $28,043,333, which is more than last year's ending fund balance of $23,599,180. The District's General Fund balance decreased by $347,373 during the year ended June 30, 2024, reporting an ending fund balance of $14,626,101. In addition, the District's Special Reserve Fund for Capital Outlay Projects had $2,697,929 less in operating revenues than expenditures for the year ended June 30, 2024 but experienced a net increase in fund balance of $4,802,061 for the year due to net financing sources in the amount of $7,499,990. The District's Bond Interest and Redemption Fund experienced a net increase in fund balance of $69,809.

## CURRENT YEAR BUDGET 2023-2024

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

By the end of 2023-2024 the District had invested $57,827,734 in capital assets, net of accumulated depreciation.

| | Governmental Activities | | |
|---|---|---|---|
| | 2024 | 2023 | Net Change |
| **CAPITAL ASSETS** | | | |
| Land | $ 3,905,000 | $ 3,905,000 | $ - |
| Construction in progress | 2,889,783 | - | 2,889,783 |
| Land improvements | 6,542,965 | 6,498,799 | 44,166 |
| Buildings & improvements | 63,371,349 | 63,195,426 | 175,923 |
| Furniture & equipment | 1,327,778 | 1,321,351 | 6,427 |
| Less: accumulated depreciation | (20,209,141) | (18,378,692) | (1,830,449) |
| **Total** | $ 57,827,734 | $ 56,541,884 | $ 1,285,850 |

### Long-Term Liabilities

At year-end, the District reported $57,751,134 in long-term liabilities, This was an increase of 11.12% from last year, as shown in the table below. More detailed information about the District's long-term liabilities is presented in notes to the financial statements.

| | Governmental Activities | | |
|---|---|---|---|
| | 2024 | 2023 | Net Change |
| **LONG-TERM LIABILITIES** | | | |
| Total general obligation bonds | $ 31,636,257 | $ 34,483,672 | $ (2,847,415) |
| Total certificates of participation | 9,328,138 | 2,620,000 | 6,708,138 |
| Compensated absences | 70,577 | 94,849 | (24,272) |
| Total OPEB liability | 1,352,102 | 1,618,357 | (266,255) |
| Net pension liability | 18,567,382 | 16,161,435 | 2,405,947 |
| Less: current portion of long-term liabilities | (3,203,322) | (3,007,415) | (195,907) |
| **Total** | $ 57,751,134 | $ 51,970,898 | $ 5,780,236 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several economic factors could impact California school district funding and the District's budget in the next fiscal year:

Long-term Declining Enrollment: Lower birth rates and increased migration out of state have resulted in long-term declining enrollment across California schools. Enrollment can fluctuate due to factors such as population growth, competition from private and parochial schools, inter-district transfers in or out, economic conditions, and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to adjust fixed operating costs.

Revenue Uncertainties: Proposition 98 guarantees have improved over the 2023-24 fiscal year, but the prior 2022-23 revenues fell short of estimates, reducing the guarantee and resulting in the use of Proposition 98 reserves. California faced a significant budget deficit due to a severe revenue decline in 2022-23, driven mainly by lower income tax collections and economic downturns. However, recent tax forecasts show that actual revenues surpass projections. Surpluses could help fund more Proposition 98 revenue for school districts.

Underfunded Pension Liabilities: The District participates in state employee pension plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2024. The amount of the liability is material to the District's financial position. The CalSTRS projected employer contribution rate for 2024-25 is 19.10 percent. The CalPERS projected employer contribution rate for 2024-25 is 27.05 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Economic Downturn: Higher borrowing costs and reduced investment have slowed economic activity, particularly affecting sectors like technology and startups, which are crucial to California's economy. The unemployment rate is up but might reverse with future jobs in the technology and aerospace industries.

Federal Reserve Actions: The Federal Reserve's interest rate hikes have increased borrowing costs, reducing investment and economic growth.

Stock Market Performance: The steep decline in the stock market in prior years has negatively impacted income tax collections from high-income Californians and corporations. Overall, market performance in 2024 is trending in a positive direction.

These factors contribute to a challenging fiscal environment, potentially affecting the state's ability to maintain or increase funding for school districts. All these factors were considered in preparing the District's 2024-25 fiscal year budget.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office of Scotts Valley Unified School District at 108 Whispering Pines Drive, Suite #115, Scotts Valley, California 95066.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2024**

| | | Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| Cash and investments | $ | 30,432,191 |
| Accounts receivable | | 1,751,266 |
| Prepaid expenses | | 306,151 |
| Capital assets, not depreciated | | 6,794,783 |
| Capital assets, net of accumulated depreciation | | 51,032,951 |
| **Total Assets** | | 90,317,342 |
| | | |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflows related to pensions | | 7,246,287 |
| Deferred outflows related to OPEB | | 91,782 |
| **Total Deferred Outflows of Resources** | | 7,338,069 |
| | | |
| **LIABILITIES** | | |
| Accrued liabilities | | 4,851,590 |
| Unearned revenue | | 209,313 |
| Long-term liabilities, current portion | | 3,203,322 |
| Long-term liabilities, non-current portion | | 57,751,134 |
| **Total Liabilities** | | 66,015,359 |
| | | |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflows related to pensions | | 1,479,952 |
| Deferred inflows related to OPEB | | 662,400 |
| **Total Deferred Inflows of Resources** | | 2,142,352 |
| | | |
| **NET POSITION** | | |
| Net investment in capital assets | | 21,708,786 |
| Restricted: | | |
| Capital projects | | 5,481,266 |
| Debt service | | 6,196,651 |
| Educational programs | | 3,524,045 |
| Food service | | 981,662 |
| Associated student body | | 135,398 |
| Unrestricted | | (8,530,108) |
| **Total Net Position** | $ | 29,497,700 |

The accompanying notes are an integral part of these financial statements.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2024**

| Function/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | |
| Instruction | $ 18,158,706 | $ 10,566 | $ 2,308,563 | $ (15,839,577) |
| Instruction-related services | | | | |
| Instructional supervision and administration | 715,477 | - | 43,643 | (671,834) |
| Instructional library, media, and technology | 1,060,572 | 122 | 130,891 | (929,559) |
| School site administration | 2,573,708 | 35 | 69,941 | (2,503,732) |
| Pupil services | | | | |
| Home-to-school transportation | 429,756 | - | - | (429,756) |
| Food services | 612,809 | - | 988,236 | 375,427 |
| All other pupil services | 2,751,173 | 3,726 | 180,554 | (2,566,893) |
| General administration | | | | |
| Centralized data processing | 127,570 | - | - | (127,570) |
| All other general administration | 2,470,857 | 57 | 62,002 | (2,408,798) |
| Plant services | 3,365,080 | 1,795 | 189,126 | (3,174,159) |
| Ancillary services | 508,826 | 3,273 | 310,565 | (194,988) |
| Community services | 4,000 | 90 | 2,021 | (1,889) |
| Interest on long-term debt | 1,097,772 | - | - | (1,097,772) |
| Other outgo | 299,524 | 19,693 | 440,137 | 160,306 |
| Depreciation (unallocated) | 1,830,449 | - | - | (1,830,449) |
| **Total Governmental Activities** | $ 36,006,279 | $ 39,357 | $ 4,725,679 | (31,241,243) |

| | |
|---|---|
| General revenues | |
| Taxes and subventions | |
| Property taxes, levied for general purposes | 19,122,679 |
| Property taxes, levied for debt service | 3,848,777 |
| Property taxes, levied for other specific purposes | 1,236,552 |
| Federal and state aid not restricted for specific purposes | 6,376,883 |
| Interest and investment earnings | 1,697,351 |
| Interagency revenues | 11,559 |
| Miscellaneous | 771,504 |
| **Subtotal, General Revenue** | 33,065,305 |
| **CHANGE IN NET POSITION** | 1,824,062 |
| **Net Position - Beginning** | 27,673,638 |
| **Net Position - Ending** | $ 29,497,700 |

The accompanying notes are an integral part of these financial statements.

# SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
# GOVERNMENTAL FUNDS
# BALANCE SHEET
# JUNE 30, 2024

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and investments | $ 17,018,181 | $ 4,908,564 | $ 3,511,255 | $ 4,994,191 | $ 30,432,191 |
| Accounts receivable | 1,644,879 | - | - | 106,387 | 1,751,266 |
| Prepaid expenditures | 306,151 | - | - | - | 306,151 |
| **Total Assets** | $ 18,969,211 | $ 4,908,564 | $ 3,511,255 | $ 5,100,578 | $ 32,489,608 |
| **LIABILITIES** | | | | | |
| Accrued liabilities | $ 4,133,797 | $ 70,744 | $ - | $ 32,421 | $ 4,236,962 |
| Unearned revenue | 209,313 | - | - | - | 209,313 |
| **Total Liabilities** | 4,343,110 | 70,744 | - | 32,421 | 4,446,275 |
| **FUND BALANCES** | | | | | |
| Nonspendable | 306,151 | - | - | - | 306,151 |
| Restricted | 3,524,045 | 4,837,820 | 3,511,255 | 5,068,157 | 16,941,277 |
| Assigned | 1,478,982 | - | - | - | 1,478,982 |
| Unassigned | 9,316,923 | - | - | - | 9,316,923 |
| **Total Fund Balances** | 14,626,101 | 4,837,820 | 3,511,255 | 5,068,157 | 28,043,333 |
| **Total Liabilities and Fund Balances** | $ 18,969,211 | $ 4,908,564 | $ 3,511,255 | $ 5,100,578 | $ 32,489,608 |

The accompanying notes are an integral part of these financial statements.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2024**

| | | |
|---|---|---|
| **Total Fund Balance - Governmental Funds** | | $ 28,043,333 |
| Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because: | | |
| Capital assets: | | |
| In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation: | | |
| Capital assets | $ 78,036,875 | |
| Accumulated depreciation | (20,209,141) | 57,827,734 |
| Unmatured interest on long-term debt: | | |
| In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: | | (614,628) |
| Long-term liabilities: | | |
| In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of: | | |
| Total general obligation bonds | $ 31,636,257 | |
| Total certificates of participation | 9,328,138 | |
| Compensated absences | 70,577 | |
| Total OPEB liability | 1,352,102 | |
| Net pension liability | 18,567,382 | (60,954,456) |
| Deferred outflows and inflows of resources relating to pensions: | | |
| In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. | | |
| Deferred outflows of resources related to pensions | $ 7,246,287 | |
| Deferred inflows of resources related to pensions | (1,479,952) | 5,766,335 |
| Deferred outflows and inflows of resources relating to OPEB: | | |
| In governmental funds, deferred outflows and inflows of resources relating to 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 OPEB are reported. | | |
| Deferred outflows of resources related to OPEB | $ 91,782 | |
| Deferred inflows of resources related to OPEB | (662,400) | (570,618) |
| **Total Net Position - Governmental Activities** | | $ 29,497,700 |

The accompanying notes are an integral part of these financial statements.

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## GOVERNMENTAL FUNDS
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| LCFF sources | $ 24,919,216 | $ - | $ - | $ - | $ 24,919,216 |
| Federal sources | 1,051,981 | - | - | 288,209 | 1,340,190 |
| Other state sources | 2,651,580 | - | 16,820 | 766,535 | 3,434,935 |
| Other local sources | 3,993,837 | 604,169 | 3,898,720 | 693,585 | 9,190,311 |
| **Total Revenues** | 32,616,614 | 604,169 | 3,915,540 | 1,748,329 | 38,884,652 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Instruction | 19,041,714 | - | - | - | 19,041,714 |
| Instruction-related services | | | | | |
| Instructional supervision and administration | 746,116 | - | - | - | 746,116 |
| Instructional library, media, and technology | 1,034,715 | - | - | - | 1,034,715 |
| School site administration | 2,549,962 | - | - | - | 2,549,962 |
| Pupil services | | | | | |
| Home-to-school transportation | 429,756 | - | - | - | 429,756 |
| Food services | - | - | - | 588,805 | 588,805 |
| All other pupil services | 2,908,055 | - | - | - | 2,908,055 |
| General administration | | | | | |
| Centralized data processing | 127,570 | - | - | - | 127,570 |
| All other general administration | 2,467,435 | - | - | 18,953 | 2,486,388 |
| Plant services | 3,034,605 | - | - | 117,645 | 3,152,250 |
| Facilities acquisition and construction | 346,965 | 2,923,642 | - | - | 3,270,607 |
| Ancillary services | 270,147 | - | - | 232,083 | 502,230 |
| Community services | 4,000 | - | - | - | 4,000 |
| Transfers to other agencies | 2,947 | - | - | - | 2,947 |
| Debt service | | | | | |
| Principal | - | - | 2,630,000 | 160,000 | 2,790,000 |
| Interest and other | - | 378,456 | 1,215,731 | 79,335 | 1,673,522 |
| **Total Expenditures** | 32,963,987 | 3,302,098 | 3,845,731 | 1,196,821 | 41,308,637 |
| **Excess (Deficiency) of Revenues Over Expenditures** | (347,373) | (2,697,929) | 69,809 | 551,508 | (2,423,985) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | - | 631,852 | - | - | 631,852 |
| Other sources | - | 6,868,138 | - | - | 6,868,138 |
| Transfers out | - | - | - | (631,852) | (631,852) |
| **Net Financing Sources (Uses)** | - | 7,499,990 | - | (631,852) | 6,868,138 |
| **NET CHANGE IN FUND BALANCE** | (347,373) | 4,802,061 | 69,809 | (80,344) | 4,444,153 |
| **Fund Balance - Beginning** | 14,973,474 | 35,759 | 3,441,446 | 5,148,501 | 23,599,180 |
| **Fund Balance - Ending** | $ 14,626,101 | $ 4,837,820 | $ 3,511,255 | $ 5,068,157 | $ 28,043,333 |

The accompanying notes are an integral part of these financial statements.

| | | | |
|---|---|---|---|
| **Net Change in Fund Balances - Governmental Funds** | | $ | 4,444,153 |
| Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because: | | | |
| Capital outlay: | | | |
| In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is: | | | |
| Expenditures for capital outlay: | $ 3,116,299 | | |
| Depreciation expense: | (1,830,449) | | 1,285,850 |
| Debt service: | | | |
| In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: | | | 2,790,000 |
| Debt proceeds: | | | |
| In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: | | | (6,868,138) |
| Unmatured interest on long-term debt: | | | |
| In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: | | | 61,758 |
| Compensated absences: | | | |
| In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: | | | 24,272 |
| Postemployment benefits other than pensions (OPEB): | | | |
| In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: | | | (67,786) |

*(continued on the following page)*

| | |
|---|---|
| Pensions: | |
| In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: | (63,462) |
| Amortization of debt issuance premium or discount: | |
| In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: | 217,415 |
| **Change in Net Position of Governmental Activities** | $ 1,824,062 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

### B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

### C. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**Fund Financial Statements.** The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section* 42840).

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**Non-Major Governmental Funds**

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Student Activity Fund:** This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

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

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

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**D. Basis of Accounting – Measurement Focus**

**Government-Wide Financial Statements**
The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Governmental Funds**
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus (continued)**

**Revenues – Exchange and Non-Exchange Transactions (continued)**
Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**
Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

**Cash and Cash Equivalents**
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Inventories**
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**
The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Life |
|---|---|
| Buildings and Improvements | 20-50 years |
| Furniture and Equipment | 5-20 years |

**Interfund Balances**
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)</u>**

**Postemployment Benefits Other Than Pensions (OPEB)**
For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|---|---|
| Valuation Date | July 1, 2023 |
| Measurement Date | June 30, 2024 |
| Measurement Period | July 1, 2023 to June 30, 2024 |

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**Premiums and Discounts**
In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**Deferred Outflows/Deferred Inflows of Resources**
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Fund Balance**
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - 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.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. 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. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - 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. 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.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Interfund Activity**

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

**G. Estimates**

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

**H. Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**I. Property Tax**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. New Accounting Pronouncements**

**GASB Statement No. 99** – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has fully implemented this Statement as of June 30, 2024.

**GASB Statement No. 100** – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has fully implemented this Statement as of June 30, 2024.

**GASB Statement No. 101** – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 102** – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures.* This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 103** – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

## NOTE 2 – CASH AND INVESTMENTS

### A. Summary of Cash and Investments

| | Governmental Activities |
|---|---|
| Investment in county treasury | $ 26,666,428 |
| Fair value adjustment | (653,357) |
| Cash on hand and in banks | 135,398 |
| Cash with fiscal agent | 4,283,722 |
| **Total** | $ 30,432,191 |

### B. Policies and Practices

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

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Santa Cruz County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

**Cash with Fiscal Agent** – This amount represents cash held by U.S. Bank as a trustee for activity relating to the 2023 COP issuance.

**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $26,013,071. The average weighted maturity for this pool is 411 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated.

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2024, the District's bank balance was not exposed to custodial credit risk.

## NOTE 2 – CASH AND INVESTMENTS (continued)

### G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

Uncategorized - Investments in the Santa Cruz County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share. Investments held with the county treasury with a fair value totaling $26,013,071 as of June 30, 2024 were considered uncategorized.

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 consisted of the following:

| | General Fund | Non-Major Governmental Funds | Governmental Activities |
|---|---|---|---|
| Federal Government | | | |
| Categorical aid | $ 1,231,677 | $ 21,023 | $ 1,252,700 |
| State Government | | | |
| Apportionment | 218,611 | - | 218,611 |
| Categorical aid | 43,978 | 85,364 | 129,342 |
| Lottery | 144,613 | - | 144,613 |
| Local Government | | | |
| Other local sources | 6,000 | - | 6,000 |
| **Total** | $ 1,644,879 | $ 106,387 | $ 1,751,266 |

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

| | Balance July 01, 2023 | Additions | Deletions | Balance June 30, 2024 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 3,905,000 | $ - | $ - | $ 3,905,000 |
| Construction in progress | - | 2,889,783 | - | 2,889,783 |
| Total capital assets not being depreciated | 3,905,000 | 2,889,783 | - | 6,794,783 |
| Capital assets being depreciated | | | | |
| Land improvements | 6,498,799 | 44,166 | - | 6,542,965 |
| Buildings & improvements | 63,195,426 | 175,923 | - | 63,371,349 |
| Furniture & equipment | 1,321,351 | 6,427 | - | 1,327,778 |
| Total capital assets being depreciated | 71,015,576 | 226,516 | - | 71,242,092 |
| Less: Accumulated depreciation | | | | |
| Land improvements | 3,266,350 | 326,560 | - | 3,592,910 |
| Buildings & improvements | 14,520,518 | 1,321,692 | - | 15,842,210 |
| Furniture & equipment | 591,824 | 182,197 | - | 774,021 |
| Total accumulated depreciation | 18,378,692 | 1,830,449 | - | 20,209,141 |
| Total capital assets being depreciated, net | 52,636,884 | (1,603,933) | - | 51,032,951 |
| **Governmental Activities** | | | | |
| **Capital Assets, net** | $ 56,541,884 | $ 1,285,850 | $ - | $ 57,827,734 |

## NOTE 5 – INTERFUND TRANSACTIONS

During the year ended June 30, 2024, there was a transfer from the Debt Service Fund to the Special Reserve Fund for Capital Outlay Projects to support energy project activity in the amount of $631,852.

## NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2024 consisted of the following:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | District-Wide | Governmental Activities |
|---|---|---|---|---|---|
| Payroll | $ 470,575 | $ - | $ - | $ - | $ 470,575 |
| Construction | - | 70,744 | - | - | 70,744 |
| Vendors payable | 1,559,715 | - | 32,421 | - | 1,592,136 |
| Due to grantor government | 1,863,863 | - | - | - | 1,863,863 |
| Due to other agencies | 239,644 | - | - | - | 239,644 |
| Unmatured interest | - | - | - | 614,628 | 614,628 |
| **Total** | $ 4,133,797 | $ 70,744 | $ 32,421 | $ 614,628 | $ 4,851,590 |

## NOTE 7 – UNEARNED REVENUE

The District reported an unearned revenue balance of $209,313 in the General Fund at June 30, 2024. This amount consisted of $112,147 in federal sources and $97,166 in state sources.

## NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2024 consisted of the following:

| | Balance July 01, 2023 | Additions | Deductions | Balance June 30, 2024 | Balance Due In One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| General obligation bonds | $ 32,475,000 | $ - | $ 2,630,000 | $ 29,845,000 | $ 2,830,000 |
| Unamortized premium | 2,008,672 | - | 217,415 | 1,791,257 | 217,415 |
| Total general obligation bonds | 34,483,672 | - | 2,847,415 | 31,636,257 | 3,047,415 |
| Certificates of participation | - | 6,950,000 | - | 6,950,000 | - |
| Unamortized discount | - | (81,862) | - | (81,862) | (4,093) |
| Subtotal certificates of participation | - | 6,868,138 | - | 6,868,138 | (4,093) |
| Direct placement certificates of participation | 2,620,000 | - | 160,000 | 2,460,000 | 160,000 |
| Total certificates of participation | 2,620,000 | 6,868,138 | 160,000 | 9,328,138 | 155,907 |
| Compensated absences | 94,849 | - | 24,272 | 70,577 | - |
| Total OPEB liability | 1,618,357 | - | 266,255 | 1,352,102 | - |
| Net pension liability | 16,161,435 | 2,405,947 | - | 18,567,382 | - |
| **Total** | $ 54,978,313 | $ 9,274,085 | $ 3,297,942 | $ 60,954,456 | $ 3,203,322 |

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the Special Reserve Fund for Capital Outlay Projects and the Debt Service Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

### A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2024 amounted to $70,577. This amount is included as part of long-term liabilities in the government-wide financial statements.

### B. Other Postemployment Benefits

The District's beginning total OPEB liability was $1,618,357 and decreased by $266,255 during the year ended June 30, 2024. The ending total OPEB liability at June 30, 2024 was $1,352,102. See Note 10 for additional information regarding the total OPEB liability.

### C. Net Pension Liability

The District's beginning net pension liability was $16,161,435 and increased by $2,405,947 during the year ended June 30, 2024. The ending net pension liability at June 30, 2024 was $18,567,382. See Note 11 for additional information regarding the net pension liability.

**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**D. General Obligation Bonds**

The outstanding general obligation bonded debt of the District as of June 30, 2024 is as follows:

| Series | Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 01, 2023 | Additions | Deductions | Bonds Outstanding June 30, 2024 |
|---|---|---|---|---|---|---|---|---|
| 2013 Refunding Bond | 9/5/2013 | 8/1/2027 | 2.00% - 5.00% | $ 15,145,000 | $ 6,305,000 | $ - | $ 1,155,000 | $ 5,150,000 |
| Election of 2014, Series A | 1/29/2015 | 8/1/2039 | 3.00% - 5.00% | 15,000,000 | 12,335,000 | - | 325,000 | 12,010,000 |
| Election of 2014, Series B | 8/3/2017 | 8/1/2032 | 2.00% - 5.00% | 20,000,000 | 13,835,000 | - | 1,150,000 | 12,685,000 |
| Total | | | | | $ 32,475,000 | $ - | $ 2,630,000 | $ 29,845,000 |

The annual requirements to amortize these bonds and the remaining outstanding balance are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 2,830,000 | $ 1,098,956 | $ 3,928,956 |
| 2026 | 3,010,000 | 982,156 | 3,992,156 |
| 2027 | 2,960,000 | 854,406 | 3,814,406 |
| 2028 | 3,185,000 | 713,303 | 3,898,303 |
| 2029 | 2,000,000 | 596,950 | 2,596,950 |
| 2030 - 2034 | 9,600,000 | 1,890,646 | 11,490,646 |
| 2035 - 2039 | 5,025,000 | 763,719 | 5,788,719 |
| 2040 | 1,235,000 | 24,700 | 1,259,700 |
| **Total** | $ 29,845,000 | $ 6,924,836 | $ 36,769,836 |

**E. Certificates of Participation**

On October 10, 2017 the District issued $3,110,000 in 2017 Refunding Certificates of Participation, payable in installments from March 1, 2018 through September 1, 2036. The certificates of participation are being executed and delivered in order to refinance the acquisition, construction and improvement of education facilities of the District. The District and the Scotts Valley Schools Financing Corporation have previously entered into a lease agreement dated as of January 1, 2007 (2007 COP).

The outstanding 2017 direct placement certificates of participation of the District as of June 30, 2024 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 160,000 | $ 74,416 | $ 234,416 |
| 2026 | 165,000 | 69,419 | 234,419 |
| 2027 | 180,000 | 64,268 | 244,268 |
| 2028 | 180,000 | 58,732 | 238,732 |
| 2029 | 185,000 | 53,198 | 238,198 |
| 2030 - 2034 | 1,020,000 | 175,737 | 1,195,737 |
| 2035 - 2037 | 570,000 | 26,593 | 596,593 |
| **Total** | $ 2,460,000 | $ 522,363 | $ 2,982,363 |

On November 8, 2023, the District issued $6,950,000 in 2023 Certificates of Participation, payable in installments from March 1, 2024 through September 1, 2053. The certificates of participation are being executed and delivered in order to provide financing for solar and energy efficiency project at District facilities.

## NOTE 8 – LONG-TERM LIABILITIES (continued)

### E. Certificates of Participation (continued)

The outstanding 2023 certificates of participation of the District as of June 30, 2024 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ - | $ 323,918 | $ 323,918 |
| 2026 | - | 323,919 | 323,919 |
| 2027 | - | 323,920 | 323,920 |
| 2028 | 130,000 | 320,669 | 450,669 |
| 2029 | 140,000 | 313,919 | 453,919 |
| 2030 - 2034 | 795,000 | 1,456,470 | 2,251,470 |
| 2035 - 2039 | 1,025,000 | 1,230,219 | 2,255,219 |
| 2040 - 2044 | 1,280,000 | 964,298 | 2,244,298 |
| 2045 - 2049 | 1,590,000 | 647,078 | 2,237,078 |
| 2050 - 2054 | 1,990,000 | 238,187 | 2,228,187 |
| **Total** | $ 6,950,000 | $ 6,142,597 | $ 13,092,597 |

## NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2024:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Non-spendable | | | | | |
| Prepaid expenditures | $ 306,151 | $ - | $ - | $ - | $ 306,151 |
| Total non-spendable | 306,151 | - | - | - | 306,151 |
| Restricted | | | | | |
| Educational programs | 3,524,045 | - | - | - | 3,524,045 |
| Food service | - | - | - | 981,662 | 981,662 |
| Associated student body | - | - | - | 135,398 | 135,398 |
| Capital projects | - | 4,837,820 | - | 651,073 | 5,488,893 |
| Debt service | - | - | 3,511,255 | 3,300,024 | 6,811,279 |
| Total restricted | 3,524,045 | 4,837,820 | 3,511,255 | 5,068,157 | 16,941,277 |
| Assigned | | | | | |
| Special reserve | 1,128,821 | - | - | - | 1,128,821 |
| 2023 COP payment reserve | 350,000 | - | - | - | 350,000 |
| Deferred maintenance | 161 | - | - | - | 161 |
| Total assigned | 1,478,982 | - | - | - | 1,478,982 |
| Unassigned | 9,316,923 | - | - | - | 9,316,923 |
| **Total** | $ 14,626,101 | $ 4,837,820 | $ 3,511,255 | $ 5,068,157 | $ 28,043,333 |

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

## NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

### A. Plan Description

The Scotts Valley Unified School District's defined benefit OPEB plan, Scotts Valley Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. The medical plan options for actives and retirees under 65 include Blue Cross, California Care, and Kaiser Permanente. Medicare coverage for retirees over 65 is provided through Blue Cross, California Care, and Companion Care. Delta Dental and VSP vision insurance are offered to both active employees and retirees of the District. Medical coverage is self-insured on a pooled basis through the Self-Insured Schools of California (SISC). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

### B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below:

Certificated employees who retire between the ages of 50 and 65 and have completed at least 15 years of continuous service with the District are eligible for District-paid retiree health benefits. Benefits continue for the earlier of 5 years or until the retiree turns age 65.

Classified employees hired on or after 7/1/1988 who retire between the ages of 50 and 65, have completed at least 10 years of continuous service with the District, and are employed more than 75% of the fiscal year at time of retirement, are eligible for District-paid retiree health benefits. Benefits continue for 5 years.

Retiree benefits for both Certificated and Classified employees are subject to the following annual cap, based on years of District service.

| Years of District Service | Annual Amount Applied for Health Benefits |
|---|---|
| 10 - 14 | $2,300* |
| 15 - 19 | $2,500 |
| 20 - 24 | $3,000 |
| 25+ | $3,500 |

*Classified retirees only

For retirements after July 1st, 2023: Certificated employees who retire between the ages of 55 and 65 and have completed at least 15 years of continuous service with the District are eligible for District-paid retiree health benefits. Benefits continue for the earlier of five years or until the retiree turns age 65.

| Years of District Service | Annual Amount Applied for Health Benefits |
|---|---|
| 20 - 24 | $5,650 |
| 25+ | $7,150 |

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**C. Contributions**

For the measurement period, the District contributed $81,301 to the Plan, all of which was used for current premiums.

**D. Plan Membership**

Membership of the Plan consisted of the following:

| | Number of participants |
|---|---|
| Inactive employees receiving benefits | 13 |
| Inactive employees entitled to but not receiving benefits* | - |
| Participating active employees | 154 |
| **Total number of participants**** | 167 |

*Information not provided
**As of the July 1, 2023 valuation date

**E. Total OPEB Liability**

The Scotts Valley Unified School District's total OPEB liability of $1,352,102 was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2023.

**F. Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

**Economic assumptions:**

| | |
|---|---|
| Salary increases | 3.00% |
| Discount rate | 3.97% |
| Inflation rate | 2.50% |
| Healthcare cost trend rates | 5.50% for 2024, 5.25% for 2025-2029, 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later years; Medicare ages: 4.50% for 2024-2029 and 4.00% for 2030 and later years. |

**Non-economic assumptions:**

Pre-retirement mortality rates were based on the CalSTRS and CalPERS Experience Analysis Studies. Post-retirement mortality rates were also based on the CalSTRS and CalPERS Experience Analysis Studies.

Actuarial assumptions used in the July 1, 2023 valuation were based on a review of plan experience during the period of July 1, 2021 to June 30, 2023.

The discount rate was based on the Bond Buyer 20 Bond Index.

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**G. Changes in Total OPEB Liability**

| | June 30, 2024 |
|---|---|
| **Total OPEB Liability** | |
| Service cost | $ 54,108 |
| Interest on total OPEB liability | 52,159 |
| Changes of benefit terms | 134,530 |
| Difference between expected and actual experience | (367,584) |
| Changes of assumptions | (58,167) |
| Benefits payments | (81,301) |
| Net change in total OPEB liability | (266,255) |
| Total OPEB liability - beginning | 1,618,357 |
| Total OPEB liability - ending | $ 1,352,102 |

**H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Scotts Valley Unified School 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 (2.97%) | Valuation Discount Rate (3.97%) | 1% Increase (4.97%) |
|---|---|---|---|
| Total OPEB liability | $ 1,731,491 | $ 1,352,102 | $ 1,516,867 |

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

The following presents the total OPEB liability of the Scotts Valley Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

| | 1% Decrease (4.50%) | Healthcare Cost Trend Rate (5.50%) | 1% Increase (6.50%) |
|---|---|---|---|
| Total OPEB liability | $ 1,279,133 | $ 1,352,102 | $ 1,435,421 |

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2024, the Scotts Valley Unified School District recognized OPEB expense of $149,087. At June 30, 2024, the Scotts Valley Unified School District reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 6,229 | $ 470,407 |
| Changes in assumptions | 85,553 | 191,993 |
| **Total** | $ 91,782 | $ 662,400 |

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

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2025 | $ 30,572 | $ 122,282 |
| 2026 | 30,572 | 119,579 |
| 2027 | 23,999 | 103,514 |
| 2028 | 5,598 | 64,500 |
| 2029 | 1,041 | 59,902 |
| Thereafter | - | 192,623 |
| **Total** | $ 91,782 | $ 662,400 |

## NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

| | Net pension liability | Deferred outflows related to pensions | Deferred inflows related to pensions | Pension expense |
|---|---|---|---|---|
| STRS Pension | $ 12,612,260 | $ 4,718,264 | $ 1,398,612 | $ 1,955,106 |
| PERS Pension | 5,955,122 | 2,528,023 | 81,340 | 1,211,067 |
| **Total** | $ 18,567,382 | $ 7,246,287 | $ 1,479,952 | $ 3,166,173 |

### A. California State Teachers' Retirement System (CalSTRS)

**Plan Description**
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**
The CalSTRS defined benefit plan has two benefit formulas:

1. 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 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, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

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

**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2024, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2024 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $2,201,059 for the year ended June 30, 2024.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $966,555 to CalSTRS.

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

At June 30, 2024, 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 | $ | 12,612,260 |
| State's proportionate share of the net pension liability associated with the District | | 6,042,998 |
| **Total** | $ | 18,655,258 |

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 applying update procedures to an actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2023, the District's proportion was 0.017 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2022.

**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2024, the District recognized pension expense of $1,955,106. In addition, the District recognized pension expense and revenue of $(87,756) for support provided by the State. At June 30, 2024, 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 |
|---|---|---|
| Differences between projected and actual earnings on plan investments | $ - | $ 53,986 |
| Differences between expected and actual experience | 991,116 | 674,820 |
| Changes in assumptions | 73,030 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,453,059 | 669,806 |
| District contributions subsequent to the measurement date | 2,201,059 | - |
| **Total** | $ 4,718,264 | $ 1,398,612 |

The $2,201,059 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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 Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2025 | $ 490,614 | $ 845,866 |
| 2026 | 462,567 | 1,067,767 |
| 2027 | 462,568 | (795,345) |
| 2028 | 438,224 | 240,746 |
| 2029 | 438,223 | 39,578 |
| 2030 | 225,009 | - |
| **Total** | $ 2,517,205 | $ 1,398,612 |

**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Consumer Price Inflation | 2.75% |
| Investment Rate of Return* | 7.10% |
| Wage Inflation | 3.50% |

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2023 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Public Equity | 38% | 5.25% |
| Real Estate | 15% | 4.05% |
| Private Equity | 14% | 6.75% |
| Fixed Income | 14% | 2.45% |
| Risk Mitigating Strategies | 10% | 2.25% |
| Inflation Sensitive | 7% | 3.65% |
| Cash/Liquidity | 2% | 0.05% |
| | 100% | |

*Real return is net of assumed 2.75% inflation.

**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Discount Rate**

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

**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 | $ 21,156,060 | $ 12,612,260 | $ 5,515,639 |

**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 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan 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 of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2024 was 26.68% of annual payroll. Contributions to the plan from the District were $901,652 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of $5,955,122 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 applying update procedures to an actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2023, the District's proportion was 0.016 percent, which an increase of 0.002 percent from its proportion measured as of June 30, 2022.

## NOTE 11 – PENSION PLANS (continued)

### B. California Public Employees' Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2024, the District recognized pension expense of $1,211,067. At June 30, 2024, the District reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between projected and actual earnings on plan investments | $ 636,092 | $ - |
| Differences between expected and actual experience | 217,319 | 81,340 |
| Changes in assumptions | 274,350 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 498,610 | - |
| District contributions subsequent to the measurement date | 901,652 | - |
| **Total** | $ 2,528,023 | $ 81,340 |

The $901,652 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2025 | $ 527,052 | $ 36,282 |
| 2026 | 452,360 | 45,058 |
| 2027 | 627,164 | - |
| 2028 | 19,795 | - |
| **Total** | $ 1,626,371 | $ 81,340 |

**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.30% |
| Discount Rate | 6.90% |
| Salary Increases | Varies by Entry Age and Service |

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (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. These geometric rates of return are net of administrative expenses.

| Asset Class | Assumed Asset Allocation | Real Return Years 1 – 10* |
|---|---|---|
| Global Equity – cap-weighted | 30.0% | 4.54% |
| Global Equity – non-cap-weighted | 12.0% | 3.84% |
| Private Equity | 13.0% | 7.28% |
| Treasury | 5.0% | 0.27% |
| Mortgage-backed securities | 5.0% | 0.50% |
| Investment grade corporates | 10.0% | 1.56% |
| High yield | 5.0% | 2.27% |
| Emerging market debt | 5.0% | 2.48% |
| Private debt | 5.0% | 3.57% |
| Real assets | 15.0% | 3.21% |
| Leverage | (5.0)% | (0.59)% |
| | 100.0% | |

*An expected inflation of 2.30% used for this period. 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 Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

**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 | $ 8,609,568 | $ 5,955,122 | $ 3,761,284 |

**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 12 – COMMITMENTS AND CONTINGENCIES

### A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2024.

### B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2024.

## NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in four joint ventures under joint powers authorities (JPAs), the Santa Cruz County Schools Health Insurance Group, Santa Cruz San Benito County School Insurance Group, Self-Insured School of California, and the Southern Peninsula Region Insurance Group. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

## NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

### A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2024, total deferred outflows related to pensions was $7,246,287 and total deferred inflows related to pensions was $1,479,952.

### B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2024, total deferred outflows related to other postemployment benefits was $91,782 and total deferred inflows related to other postemployment benefits was $662,400.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
## FOR THE YEAR ENDED JUNE 30, 2024

| | Budgeted Amounts | | Actual* | Variances - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Final to Actual |
| **REVENUES** | | | | |
| LCFF sources | $ 24,107,677 | $ 24,107,677 | $ 24,919,216 | $ 811,539 |
| Federal sources | 1,215,088 | 1,215,088 | 1,051,981 | (163,107) |
| Other state sources | 2,420,164 | 2,420,164 | 2,651,580 | 231,416 |
| Other local sources | 1,321,558 | 1,321,558 | 3,932,794 | 2,611,236 |
| **Total Revenues** | 29,064,487 | 29,064,487 | 32,555,571 | 3,491,084 |
| **EXPENDITURES** | | | | |
| Certificated salaries | 11,248,778 | 11,248,778 | 11,931,939 | (683,161) |
| Classified salaries | 3,689,459 | 3,689,459 | 3,474,195 | 215,264 |
| Employee benefits | 8,736,675 | 8,736,675 | 9,145,791 | (409,116) |
| Books and supplies | 1,025,497 | 1,025,497 | 1,304,883 | (279,386) |
| Services and other operating expenditures | 7,098,392 | 7,098,392 | 6,563,922 | 534,470 |
| Capital outlay | - | - | 508,862 | (508,862) |
| Other outgo | | | | |
| Excluding transfers of indirect costs | 4,200 | 4,200 | 2,947 | 1,253 |
| Transfers of indirect costs | - | - | (18,953) | 18,953 |
| **Total Expenditures** | 31,803,001 | 31,803,001 | 32,913,586 | (1,110,585) |
| **Excess (Deficiency) of Revenues** | | | | |
| **Over Expenditures** | (2,738,514) | (2,738,514) | (358,015) | 2,380,499 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers out | (50,000) | (50,000) | (200,000) | (150,000) |
| **Net Financing Sources (Uses)** | (50,000) | (50,000) | (200,000) | (150,000) |
| **NET CHANGE IN FUND BALANCE** | (2,788,514) | (2,788,514) | (558,015) | 2,230,499 |
| **Fund Balance - Beginning** | 14,205,134 | 14,205,134 | 14,205,134 | - |
| **Fund Balance - Ending** | $ 11,416,620 | $ 11,416,620 | $ 13,647,119 | $ 2,230,499 |

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because the amounts reported on that schedule include the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying notes to required supplementary information.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | |
| Service cost | $ 54,108 | $ 43,563 | $ 53,519 | $ 58,331 | $ 51,871 | $ 48,494 | $ 49,782 |
| Interest on total OPEB liability | 52,159 | 59,756 | 36,095 | 43,835 | 52,902 | 68,720 | 61,336 |
| Changes of benefit terms | 134,530 | - | - | - | - | - | - |
| Difference between expected and actual experience | (367,584) | - | 10,120 | - | (380,376) | - | - |
| Changes of assumptions | (58,167) | (18,369) | (179,338) | 64,515 | 93,165 | 74,375 | (78,441) |
| Benefits payments | (81,301) | (84,102) | (144,749) | (110,692) | (78,086) | (86,303) | (101,575) |
| Net change in total OPEB liability | (266,255) | 848 | (224,353) | 55,989 | (260,524) | 105,286 | (68,898) |
| Total OPEB liability - beginning | 1,618,357 | 1,617,509 | 1,841,862 | 1,785,873 | 2,046,397 | 1,941,111 | 2,010,009 |
| Total OPEB liability - ending | $ 1,352,102 | $ 1,618,357 | $ 1,617,509 | $ 1,841,862 | $ 1,785,873 | $ 2,046,397 | $ 1,941,111 |
| Covered-employee payroll | $ 11,482,567 | $ 14,317,554 | $ 9,034,976 | $ 9,744,286 | $ 9,805,504 | $ 12,011,199 | $ 10,811,449 |
| District's total OPEB liability as a percentage of covered-employee payroll | 11.78% | 11.30% | 17.90% | 18.90% | 18.21% | 17.04% | 17.95% |

See accompanying notes to required supplementary information.

# SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
# SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
# FOR THE YEAR ENDED JUNE 30, 2024

| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.017% | 0.016% | 0.016% | 0.016% | 0.016% | 0.018% | 0.018% | 0.020% | 0.019% | 0.019% |
| District's proportionate share of the net pension liability | $ 12,612,260 | $ 11,213,932 | $ 7,250,097 | $ 15,824,847 | $ 14,804,843 | $ 16,439,060 | $ 16,303,929 | $ 13,753,047 | $ 11,041,647 | $ 10,518,660 |
| State's proportionate share of the net pension liability associated with the District | 6,042,998 | 5,615,971 | 3,648,044 | 8,157,645 | 8,077,095 | 9,412,177 | 9,645,346 | 11,454,044 | 8,515,220 | 7,288,859 |
| **Total** | $ 18,655,258 | $ 16,829,903 | $ 10,898,141 | $ 23,982,492 | $ 22,881,938 | $ 25,851,237 | $ 25,949,275 | $ 25,207,091 | $ 19,556,867 | $ 17,807,519 |
| District's covered payroll | $ 10,744,884 | $ 9,138,508 | $ 8,956,959 | $ 8,934,846 | $ 9,072,522 | $ 9,981,276 | $ 9,512,035 | $ 8,823,756 | $ 8,880,484 | $ 7,933,042 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 117.4% | 122.7% | 80.9% | 177.1% | 163.2% | 164.7% | 171.4% | 155.9% | 124.3% | 132.6% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.6% | 81.2% | 87.2% | 71.8% | 72.6% | 71.0% | 69.5% | 70.0% | 74.0% | 76.5% |

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

See accompanying notes to required supplementary information.

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
## FOR THE YEAR ENDED JUNE 30, 2024

| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.016% | 0.014% | 0.014% | 0.014% | 0.015% | 0.017% | 0.017% | 0.017% | 0.016% | 0.018% |
| District's proportionate share of the net pension liability | $ 5,955,122 | $ 4,947,503 | $ 2,867,027 | $ 4,396,991 | $ 4,394,371 | $ 4,597,289 | $ 4,044,303 | $ 3,608,669 | $ 2,654,199 | $ 2,111,553 |
| District's covered payroll | $ 2,845,778 | $ 2,206,483 | $ 2,022,655 | $ 2,066,342 | $ 2,095,806 | $ 3,427,045 | $ 2,742,987 | $ 2,823,384 | $ 3,050,854 | $ 1,949,904 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 209.3% | 224.2% | 141.7% | 212.8% | 209.7% | 134.1% | 147.4% | 127.8% | 87.0% | 108.3% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.0% | 69.8% | 81.0% | 70.0% | 70.0% | 70.8% | 71.9% | 73.9% | 79.4% | 83.4% |

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

See accompanying notes to required supplementary information.

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
## FOR THE YEAR ENDED JUNE 30, 2024

| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 2,201,059 | $ 2,005,969 | $ 1,528,618 | $ 1,412,607 | $ 1,444,112 | $ 1,437,088 | $ 1,363,865 | $ 1,196,614 | $ 1,535,404 | $ 788,587 |
| Contributions in relation to the contractually required contribution* | (2,201,059) | (2,005,969) | (1,528,618) | (1,412,607) | (1,444,112) | (1,437,088) | (1,363,865) | (1,196,614) | (1,535,404) | (788,587) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 11,416,674 | $ 10,744,884 | $ 9,138,508 | $ 8,956,959 | $ 8,934,846 | $ 9,072,522 | $ 9,981,276 | $ 9,512,035 | $ 8,823,756 | $ 8,880,484 |
| Contributions as a percentage of covered payroll | 19.28% | 18.67% | 16.73% | 15.77% | 16.16% | 15.84% | 13.66% | 12.58% | 17.40% | 8.88% |

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
## FOR THE YEAR ENDED JUNE 30, 2024

| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 901,652 | $ 803,853 | $ 574,107 | $ 517,629 | $ 492,274 | $ 460,299 | $ 465,750 | $ 380,946 | $ 334,571 | $ 359,116 |
| Contributions in relation to the contractually required contribution* | (901,652) | (803,853) | (574,107) | (517,629) | (492,274) | (460,299) | (465,750) | (380,946) | (334,571) | (359,116) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 3,127,641 | $ 2,845,778 | $ 2,206,483 | $ 2,022,655 | $ 2,066,342 | $ 2,095,806 | $ 3,427,045 | $ 2,742,987 | $ 2,823,384 | $ 3,050,854 |
| Contributions as a percentage of covered payroll | 28.83% | 28.25% | 26.02% | 25.59% | 23.82% | 21.96% | 13.59% | 13.89% | 11.85% | 11.77% |

*Amounts do not include on-behalf contributions

## NOTE 1 – PURPOSE OF SCHEDULES

**Budgetary Comparison Schedule**
This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Changes in Total OPEB Liability and Related Ratios**
This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

**Changes in Benefit Terms**
Changes in benefit terms for retirements occurring after July 1, 2023 have changed since the previous valuation for OPEB. A summary of benefits provided to retirees is included in Note 11.

**Changes in Assumptions**
The discount rate has changed since the previous valuation for OPEB from 3.86% to 3.97%. The inflation rate assumption decreased from 3.00% to 2.50% since the previous valuation for OPEB.

**Schedule of the District's Proportionate Share of the Net Pension Liability**
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**
There were no changes in benefit terms since the previous valuations for CalSTRS or CalPERS.

**Changes in Assumptions**
There were no changes in economic assumptions since the previous valuations for CalSTRS or CalPERS.

**Schedule of District Contributions**
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

## NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2024, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

| | Expenditures and Other Uses | | |
|---|---|---|---|
| | Budget | Actual | Excess |
| General Fund | | | |
| Certificated salaries | $ 11,248,778 | $ 11,931,939 | $ 683,161 |
| Employee benefits | $ 8,736,675 | $ 9,145,791 | $ 409,116 |
| Books and supplies | $ 1,025,497 | $ 1,304,883 | $ 279,386 |
| Capital outlay | $ - | $ 508,862 | $ 508,862 |

# SUPPLEMENTARY INFORMATION

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster | AL Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U. S. DEPARTMENT OF EDUCATION: | | | |
| *Passed through California Department of Education:* | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | $ 112,895 |
| Title II, Part A, Supporting Effective Instruction Local Grants | 84.367 | 14341 | 23,746 |
| Title III, English Learner Student Program | 84.365 | 14346 | 17,416 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 30,870 |
| Special Education Cluster | | | |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 218,560 |
| IDEA Local Assistance, Part B, Sec 611, Private School ISPs | 84.027 | 10115 | 9,852 |
| IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611 | 84.027A | 15197 | 25,258 |
| IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5) | 84.173 | 13430 | 6,134 |
| Subtotal Special Education Cluster | | | 259,804 |
| COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: **[1]** | | | |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 84.425 | 15559 | 328 |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss | 84.425U | 10155 | 146,131 |
| Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve | 84.425 | 15618 | 41,184 |
| Expanded Learning Opportunities (ELO) Grant GEER II | 84.425 | 15619 | 41,104 |
| Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs | 84.425 | 15620 | 135,140 |
| Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss | 84.425 | 15621 | 243,363 |
| Subtotal Education Stabilization Fund Discretionary Grants | | | 607,250 |
| **Total U. S. Department of Education** | | | 1,051,981 |
| | | | |
| U. S. DEPARTMENT OF AGRICULTURE: | | | |
| *Passed through California Department of Education:* | | | |
| Child Nutrition Cluster | | | |
| National School Lunch Program | 10.555 | 13391 | 182,504 |
| USDA Commodities | 10.555 | * | 42,284 |
| Supply Chain Assistance (SCA) Funds | 10.555 | 15655 | 63,421 |
| Subtotal Child Nutrition Cluster | | | 288,209 |
| **Total U. S. Department of Agriculture** | | | 288,209 |
| **Total Federal Expenditures** | | | $ 1,340,190 |

**[1]** - Major Program
***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | Second Period Report | Annual Report |
|---|---|---|
| SCHOOL DISTRICT | | |
| TK/K through Third | | |
| Regular ADA | 622.42 | 626.43 |
| Total TK/K through Third | 622.42 | 626.43 |
| Fourth through Sixth | | |
| Regular ADA | 447.74 | 448.34 |
| Special Education - Nonpublic Schools | 0.32 | 0.36 |
| Total Fourth through Sixth | 448.06 | 448.70 |
| Seventh through Eighth | | |
| Regular ADA | 283.88 | 284.68 |
| Total Seventh through Eighth | 283.88 | 284.68 |
| Ninth through Twelfth | | |
| Regular ADA | 617.38 | 615.49 |
| Special Education - Nonpublic Schools | 2.15 | 2.37 |
| Extended Year Special Education - Nonpublic Schools | 0.47 | 0.47 |
| Total Ninth through Twelfth | 620.00 | 618.33 |
| TOTAL SCHOOL DISTRICT | 1,974.36 | 1,978.14 |

See accompanying note to supplementary information.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**SCHEDULE OF INSTRUCTIONAL TIME**
**FOR THE YEAR ENDED JUNE 30, 2024**

| Grade Level | Minutes Requirement | 2023-24 Actual Minutes | Number of Days | Status |
|---|---|---|---|---|
| Kindergarten | 36,000 | 49,060 | 180 | Complied |
| Grade 1 | 50,400 | 52,190 | 180 | Complied |
| Grade 2 | 50,400 | 52,190 | 180 | Complied |
| Grade 3 | 50,400 | 52,190 | 180 | Complied |
| Grade 4 | 54,000 | 55,815 | 180 | Complied |
| Grade 5 | 54,000 | 55,815 | 180 | Complied |
| Grade 6 | 54,000 | 58,176 | 180 | Complied |
| Grade 7 | 54,000 | 58,176 | 180 | Complied |
| Grade 8 | 54,000 | 58,176 | 180 | Complied |
| Grade 9 | 64,800 | 65,640 | 180 | Complied |
| Grade 10 | 64,800 | 65,640 | 180 | Complied |
| Grade 11 | 64,800 | 65,640 | 180 | Complied |
| Grade 12 | 64,800 | 65,640 | 180 | Complied |

See accompanying note to supplementary information.

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
## FOR THE YEAR ENDED JUNE 30, 2024

| | 2025 (Budget) | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| General Fund - Budgetary Basis** | | | | |
| Revenues And Other Financing Sources | $ 28,738,675 | $ 32,555,571 | $ 33,482,601 | $ 29,589,837 |
| Expenditures And Other Financing Uses | 32,313,025 | 33,113,586 | 31,557,147 | 27,009,522 |
| Net change in Fund Balance | $ (3,574,350) | $ (558,015) | $ 1,925,454 | $ 2,580,315 |
| Ending Fund Balance | $ 10,072,769 | $ 13,647,119 | $ 13,909,808 | $ 12,451,875 |
| Available Reserves* | $ 7,165,811 | $ 9,316,923 | $ 8,572,443 | $ 6,418,946 |
| Available Reserves As A Percentage Of Outgo | 22.18% | 28.14% | 27.16% | 23.77% |
| Long-term Liabilities | $ 57,751,134 | $ 60,954,456 | $ 54,978,313 | $ 51,727,365 |
| Average Daily Attendance At P-2 | 1,931 | 1,974 | 1,978 | 2,050 |

The General Fund ending fund balance has increased by $1,195,244 over the past two years. However, the fiscal year 2024-25 budget projects a decrease of $3,574,350. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2024-25 fiscal year. Total long-term obligations have increased by $9,227,091 over the past two years.

Average daily attendance has decreased by 76 ADA over the past two years. A further decrease of 43 ADA is anticipated during the 2024-25 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

## SCOTTS VALLEY UNIFIED SCHOOL DISTRICT
## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | Deferred Maintenance Fund | Special Reserve Fund for Other Than Capital Outlay Projects | Special Reserve Fund for Capital Outlay Projects |
|---|---|---|---|---|
| June 30, 2024, annual financial and budget report fund balance | $ 13,647,119 | $ 161 | $ 978,821 | $ 6,541,438 |
| Adjustments and reclassifications: | | | | |
| Increase (decrease) in total fund balances: | | | | |
| Cash with fiscal agent - 2023 COP | - | - | - | (1,703,618) |
| Fund balance transfer (GASB 54) | 978,982 | (161) | (978,821) | - |
| Net adjustments and reclassifications | 978,982 | (161) | (978,821) | (1,703,618) |
| June 30, 2024, audited financial statement fund balance | $ 14,626,101 | $ - | $ - | $ 4,837,820 |

See accompanying note to supplementary information.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**SCHEDULE OF CHARTER SCHOOLS**
**FOR THE YEAR ENDED JUNE 30, 2024**

| Charter # | Charter School | Status | Included in Audit Report |
|---|---|---|---|
| 2056 | California Connections Academy Monterey Bay | Active | No |

See accompanying note to supplementary information.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**COMBINING BALANCE SHEET**
**JUNE 30, 2024**

| | Student Activity Fund | Cafeteria Fund | Building Fund | Capital Facilities Fund | Debt Service Fund | Non-Major Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and investments | $ 135,398 | $ 902,996 | $ 7,627 | $ 648,146 | $ 3,300,024 | $ 4,994,191 |
| Accounts receivable | - | 106,387 | - | - | - | 106,387 |
| **Total Assets** | $ 135,398 | $ 1,009,383 | $ 7,627 | $ 648,146 | $ 3,300,024 | $ 5,100,578 |
| **LIABILITIES** | | | | | | |
| Accrued liabilities | $ - | $ 27,721 | $ - | $ 4,700 | $ - | $ 32,421 |
| **Total Liabilities** | - | 27,721 | - | 4,700 | - | 32,421 |
| **FUND BALANCES** | | | | | | |
| Restricted | 135,398 | 981,662 | 7,627 | 643,446 | 3,300,024 | 5,068,157 |
| **Total Fund Balances** | 135,398 | 981,662 | 7,627 | 643,446 | 3,300,024 | 5,068,157 |
| **Total Liabilities and Fund Balances** | $ 135,398 | $ 1,009,383 | $ 7,627 | $ 648,146 | $ 3,300,024 | $ 5,100,578 |

See accompanying note to supplementary information.

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | Student Activity Fund | Cafeteria Fund | Building Fund | Capital Facilities Fund | Debt Service Fund | Non-Major Governmental Funds |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Federal sources | $ - | $ 288,209 | $ - | $ - | $ - | $ 288,209 |
| Other state sources | - | 766,535 | - | - | - | 766,535 |
| Other local sources | 234,956 | 37,927 | 7,612 | 90,877 | 322,213 | 693,585 |
| **Total Revenues** | 234,956 | 1,092,671 | 7,612 | 90,877 | 322,213 | 1,748,329 |
| **EXPENDITURES** | | | | | | |
| Current | | | | | | |
| Pupil services | | | | | | |
| Food services | - | 588,805 | - | - | - | 588,805 |
| General administration | | | | | | |
| All other general administration | - | 18,953 | - | - | - | 18,953 |
| Plant services | - | 38,215 | - | 79,430 | - | 117,645 |
| Ancillary services | 232,083 | - | - | - | - | 232,083 |
| Debt service | | | | | | |
| Principal | - | - | - | - | 160,000 | 160,000 |
| Interest and other | - | - | - | - | 79,335 | 79,335 |
| **Total Expenditures** | 232,083 | 645,973 | - | 79,430 | 239,335 | 1,196,821 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 2,873 | 446,698 | 7,612 | 11,447 | 82,878 | 551,508 |
| **Other Financing Sources (Uses)** | | | | | | |
| Transfers out | - | - | - | - | (631,852) | (631,852) |
| **Net Financing Sources (Uses)** | - | - | - | - | (631,852) | (631,852) |
| **NET CHANGE IN FUND BALANCE** | 2,873 | 446,698 | 7,612 | 11,447 | (548,974) | (80,344) |
| **Fund Balance - Beginning** | 132,525 | 534,964 | 15 | 631,999 | 3,848,998 | 5,148,501 |
| **Fund Balance - Ending** | $ 135,398 | $ 981,662 | $ 7,627 | $ 643,446 | $ 3,300,024 | $ 5,068,157 |

See accompanying note to supplementary information.

## NOTE 1 – PURPOSE OF SCHEDULES

**Schedule of Expenditures of Federal Awards**

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

The District has not elected to use the 10 percent de minimis indirect cost rate.

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

**Schedule of Financial Trends and Analysis**

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Schedule of Charter Schools**

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

**Combining Statements – Non-Major Funds**

These statements provide information on the District’s non-major funds.

# OTHER INFORMATION

The Scotts Valley Unified School District was unified on July 1, 1995 and is comprised of an area of approximately 23 square miles located in Santa Cruz County. There were no changes in the boundaries of the District during the current year. The District operates two elementary schools, one middle school and one high school.

**GOVERNING BOARD**

| Member | Office | Term Expires |
|---|---|---|
| Michael Shulman | President | 2024 |
| Jane McElrone | Vice President | 2024 |
| Mitali Weiglein | Clerk | 2024 |
| Lucia Rocha-Nestler | Member | 2026 |
| Roger Snyder | Member | 2026 |

**DISTRICT ADMINISTRATORS**

Tanya Krause
*Superintendent*

Mary Navas
*Chief Business Official*

# OTHER INDEPENDENT AUDITORS' REPORTS

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

# 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*

Independent Auditors' Report

Governing Board
Scotts Valley Unified School District
Scotts Valley, 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 Scotts Valley Unified School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Scotts Valley Unified School District's basic financial statements, and have issued our report thereon dated February 25, 2025.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings #2024-001, #2024-002, and #2024-003 that we consider to be significant deficiencies.

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**Report on Compliance and Other Matters**

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

**Scotts Valley Unified School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Scotts Valley Unified School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Scotts Valley Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Christy White, Inc.

San Diego, California
February 25, 2025

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Scotts Valley Unified School District
Scotts Valley, California

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Scotts Valley Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Scotts Valley Unified School District's major federal programs for the year ended June 30, 2024. Scotts Valley Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Scotts Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* 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 Scotts Valley Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Scotts Valley Unified School District's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

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

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

In performing an audit in accordance with generally accepted auditing standards and *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 Scotts Valley Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Scotts Valley Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Scotts Valley Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control Over Compliance**

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

**Report on Internal Control Over Compliance (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.

Christy White, Inc.

San Diego, California
February 25, 2025

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS**

Independent Auditors' Report

Governing Board
Scotts Valley Unified School District
Scotts Valley, California

**Report on State Compliance**

***Opinion on State Compliance***

We have audited Scotts Valley Unified School District's compliance with the requirements specified in the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Scotts Valley Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2024.

In our opinion, Scotts Valley Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2024.

***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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of State Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Scotts Valley Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide 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 Scotts Valley Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the K-12 Audit Guide, 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 Scotts Valley Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Scotts Valley Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Scotts Valley Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Scotts Valley Unified School District's compliance with the state laws and regulations applicable to the following items:

| PROGRAM NAME | PROCEDURES PERFORMED |
|---|---|
| **Local Education Agencies Other Than Charter Schools** | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | No |
| Continuation Education | Not Applicable |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| Home to School Transportation Reimbursement | Yes |

***Auditor's Responsibilities for the Audit of State Compliance (continued)***

| PROGRAM NAME | PROCEDURES PERFORMED |
|---|---|
| **School Districts, County Offices of Education, and Charter Schools** | |
| Proposition 28 Arts and Music in Schools | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| Immunizations | Yes |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | Not Applicable |
| Expanded Learning Opportunities Program | Yes |
| Transitional Kindergarten | Yes |
| | |
| **Charter Schools** | |
| Attendance; for charter schools | Not Applicable |
| Mode of Instruction; for charter schools | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study; for charter schools | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction; for charter schools | Not Applicable |
| Annual Instructional Minutes - Classroom Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

We did not perform testing for independent study because program ADA is not material.

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

***Report on Internal Control Over Compliance***

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

***Report on Internal Control Over Compliance (continued)***

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
February 25, 2025

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**
**SUMMARY OF AUDITORS' RESULTS**
**FOR THE YEAR ENDED JUNE 30, 2024**

**FINANCIAL STATEMENTS**

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | Yes |
| Non-compliance material to financial statements noted? | No |

**FEDERAL AWARDS**

| | |
|---|---|
| Internal control over major program: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Type of auditors' report issued: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)? | No |
| Identification of major programs: | |

| AL Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.425, 84.425U | Education Stabilization Fund Discretionary Grants |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**STATE AWARDS**

| | |
|---|---|
| Internal control over state programs: | |
| Material weaknesses identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Any audit findings disclosed that are required to be reported in accordance with *2023-24 Guide for Annual Audits of California K-12 Local Education Agencies* ? | No |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

| FIVE DIGIT CODE | AB 3627 FINDING TYPE |
|---|---|
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |

## FINDING #2024-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

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

**Condition:** During our substantive testing of balances reported in the District's financial statements, we noted several material errors in the financial statements that required adjustment. The errors impacted the balances reported in the Special Reserve Fund for Capital Outlay Projects, specifically related to the 2023 COP issuance activity and proceeds that are deposited in trustee accounts with U.S. Bank. During our review of activity within these accounts, it was noted that bank reconciliations are not prepared, and the related activity is not reconciled and posted to the general ledger. These errors resulted in the District not preparing financial statements in accordance with generally accepted accounting principles.

**Effect:** Audit adjustments were required due to material misstatements within the unaudited financial statements prepared by the District. These adjustments are outlined in the Reconciliation of Annual Financial and Budget Report with the Audited Financial Statements.

**Cause:** The conditions appear to be due to deficiencies in processes related to the preparation of the District's financial statements, caused by general oversight and turnover in management and staffing.

**Repeat Finding:** This is a repeat of Finding #2023-001.

**Recommendation:** We recommend management evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. Activity within the aforementioned bank accounts should be reconciled to the general ledger to ensure that the financial statements are presented accurately.

**Corrective Action Plan:** Business office staff assignments and workflow is being restructured in the 2024-25 fiscal year as the full-time Chief Business Official remains vacant. The bank statement reconciliation process is under review. A master list of bank accounts has been produced as of June 30, 2024. This list will be updated to reflect 2024-25 accounts and authorized signers. A reconciliation form is being developed. Each account will be assigned to a member of the business office fiscal team to complete the monthly reconciliation and ensure ties the General Ledger, when applicable, with review by a second member of the team.

## FINDING #2024-002: JOURNAL ENTRY INTERNAL CONTROLS (30000)

**Criteria:** Proper internal accounting controls include segregation of duties that require journal entries to be reviewed by secondary individual prior to posting to the general ledger. Journal entries should also be accompanied by appropriate supporting documentation.

**Condition:** Journal entries created and posted by the Chief Business Official do not appear to be reviewed by a second individual prior to posting. Additionally, we found that support for one (1) out of seven (7) journal entries selected for testing could not be located.

**Effect:** Without an appropriate journal entry review process in place, there is an increased risk that an inappropriate entry may be recorded to the District's general ledger either by mistake or intentionally and not be detected by a District employee performing their regular duties.

**Cause:** The District does not have a policy requiring a documented secondary review of journal entries.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** The review of each journal entry by a second knowledgeable person should be documented prior to posting. A copy of each entry should be printed and filed with supporting documentation attached.

**Corrective Action Plan:** A process has been put in place in the 2024-25 fiscal year to ensure all journal entries have a second review by a member of the business office team. When the need to create a journal entry is identified all documentation related to the entry is compiled. A journal entry template is then used to properly construct the entry. The template is retained in a master file. Once a journal entry is entered into Escape it is saved, not posted. A second member of the team reviews each entry for accuracy before posting. Once posted, the ledger report, journal entry template and backup documentation is scanned and uploaded to both the shared Drive and Escape. The paper version of the entry, with all documentation, is then retained in a journal entry binder.

## FINDING #2024-003: INTERNAL CONTROLS OVER CASH DISBURSEMENTS (30000)

**Criteria:** Expenditures processed through the warrant disbursement process should include proper pre-approval prior to the expense being incurred, including adherence to any District policies related to procurement and contracts. Funds should be encumbered for proper budgetary purposes prior to purchases of goods or services.

**Condition:** During our testing of internal control procedures related to cash disbursements at the district level we noted deficiencies in internal controls regarding strong budgetary practices. We noted six (6) out of 25 disbursements tested had purchase orders dated after the invoice date.

**Effect:** The possibility to circumvent the procurement process without proper pre-approval and not encumber funds or obtain required approvals. Potential for misappropriation of District funds and errors in accounting records related to expenditures.

**Cause:** Inadequate controls and monitoring over the cash disbursement cycle. Supporting documentation for expenditures was kept in multiple locations within the District Office rather than one centralized location.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend that all purchases be substantiated by approved purchase orders prior to the expense being incurred, including adherence to District policies related to procurement and contract approvals.

**Corrective Action Plan:** The procurement process will be reviewed with all admin staff with instructions to follow the proper pre-approval requirements to ensure encumbrance of funds align to budget. Vendors will also be reminded that purchase requisitions are required prior to providing goods and services. Supporting documentation will be retained in Escape in the vendor record. Paper versions will be maintained in the business office.

| FIVE DIGIT CODE | AB 3627 FINDING TYPE |
| --- | --- |
| 50000 | Federal Compliance |

There were no federal award findings or questioned costs for the year ended June 30, 2024.

| FIVE DIGIT CODE | AB 3627 FINDING TYPE |
|---|---|
| 10000 | Attendance |
| 40000 | State Compliance |
| 42000 | Charter School Facilities Programs |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

There were no state award findings or questioned costs for the year ended June 30, 2024.

**FINDING #2023-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)**

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

**Condition:** During our substantive testing of balances reported in the District's financial statements, we noted several material errors in the financial statements that required adjustment. The errors impacted the following balances reported in the financial statements:

- Accounts receivable
    - Cafeteria monthly reimbursement claims
- Prepaid expenditures
- Accounts payable
    - Reconciliation of prior year accruals to confirm all amounts clear in the subsequent year.

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

**Effect:** Audit adjustments were required due to material misstatements within the unaudited financial statements prepared by the District. These adjustments are outlined in the Reconciliation of Annual Financial and Budget Report with the Audited Financial Statements.

**Cause:** The conditions appear to be due to deficiencies in processes related to the preparation of the District's financial statements, caused by general oversight and turnover in management and staffing.

**Repeat Finding:** This is not a repeat finding.

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

**Corrective Action Plan:** During the District's monthly review of bank reconciliations, the District will review not only the reconciliation but the backup of the deposits as well to ensure accuracy of the accounts they are coded to. Payables and receivables will be reviewed monthly during this process as well, to ensure they have cleared in the financial system and if necessary, make adjustments. The District will note the month's cafeteria reimbursement on the deposit form and in the financial system as a way to track which month's receivable were received.

**Current Status:** Partially implemented. See Finding #2024-001.

**FINDING #2023-002: HOME-TO-SCHOOL TRANSPORTATION PLAN (40000)**

**Criteria:** Pursuant to California Education Code Section 39800.1(a), all local educational agencies receiving Home-to-School Transportation Reimbursement funding were required to adopt a transportation plan for the apportioned funds by April 1, 2023.

**Condition:** Based on audit inquiries and our review of board meeting documents, the District did not adopt a transportation plan during the year ended June 30, 2023.

**Effect:** The District was not in compliance with the applicable section of Education Code.

**Cause:** Administrative oversight.

**Questioned Costs:** $122,352, the amount of the Home-to-School Transportation Reimbursement for the year ended June 30, 2023.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend that the District develop and adopt a transportation plan for board approval as soon as possible, ahead of the April 1, 2024 deadline for the 2023-2024 fiscal year.

**Corrective Action Plan:** The District plans on developing a home-to-school transportation plan before the April 1 deadline.

**Current Status:** Implemented.

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# APPENDIX C

## ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SCOTTS VALLEY AND SANTA CRUZ COUNTY

*The following information concerning the City of Scotts Valley (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 payable solely from the sources described herein (see "SECURITY FOR THE BONDS" in the front section of this Official Statement). The Bonds are not a debt of the City, the County, the State of California (the **"State"**) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

**General Information about the City and County**

***The City***. The City of Scotts Valley is located in Santa Cruz County, located six miles north of the City of Santa Cruz. The City lies in the west hills of the Santa Cruz Mountains. The City is accessed from State Route 17, which connects Santa Cruz and San Jose.

The City was incorporated on August 2, 1966 and operates under the council-manager form of government and as a general law city, with five council members who are elected to serve four-year terms. Each year, the council selects one member to serve as mayor and one member to serve as city manager.

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

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

## Population

The following table lists population estimates for the City, County and the State for the last five calendar years, as of January 1.

**CITY OF SCOTTS VALLEY, SANTA CRUZ COUNTY, STATE OF CALIFORNIA**
**Population Estimates**
**Calendar Years 2020 through 2024 as of January 1**

| Area | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **City of Scotts Valley** | **12,069** | **12,258** | **11,943** | **11,872** | **11,816** |
| Santa Cruz County | 270,861 | 265,533 | 264,495 | 263,338 | 262,572 |
| State of California | 39,538,223 | 39,327,868 | 39,114,785 | 39,061,058 | 39,128,162 |

*Source: State Department of Finance estimates (as of January 1).*

*Remainder of page intentionally left blank.*

## Employment and Industry

The District is included in the Santa Cruz-Watsonville Metropolitan Statistical Area ("**MSA**"), which consists of the County. The unemployment rate in Santa Cruz County was 7.3 percent in February 2025, up from a revised 7.0 percent in January 2025, and below the year-ago estimate of 7.4 percent. This compares with an unadjusted unemployment rate of 5.5 percent for California and 4.5 percent for the nation during the same period.

The following table lists employment by industry group for the Santa Cruz-Watsonville Metropolitan Statistical Area for the years 2020 to 2024.

**SANTA CRUZ WATSONVILLE MSA**
**(Santa Cruz County)**
**Annual Average Civilian Labor Force, Employment and Unemployment,**
**Employment by Industry**
**(March 2024 Benchmark)**

| | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|
| Civilian Labor Force(1) | 135,700 | 133,000 | 133,900 | 135,100 | 136,100 |
| Employment | 122,700 | 124,000 | 127,500 | 127,700 | 128,000 |
| Unemployment | 13,000 | 8,900 | 6,400 | 7,500 | 8,100 |
| Unemployment Rate | 9.6% | 6.7% | 4.8% | 5.5% | 5.9% |
| Wage and Salary Employment: (2) | | | | | |
| Agriculture | 8,000 | 7,200 | 7,100 | 6,900 | 7,400 |
| Mining, Logging and Construction | 4,400 | 4,800 | 5,000 | 5,100 | 5,100 |
| Manufacturing | 6,800 | 7,500 | 7,900 | 7,900 | 8,200 |
| Wholesale Trade | 3,300 | 3,300 | 3,500 | 3,200 | 2,900 |
| Retail Trade | 10,800 | 11,000 | 11,000 | 10,800 | 10,600 |
| Trans., Warehousing, Utilities | 1,700 | 2,000 | 2,200 | 2,100 | 2,100 |
| Information | 600 | 600 | 700 | 700 | 700 |
| Financial and Insurance | 1,900 | 1,900 | 1,900 | 1,900 | 2,000 |
| Real Estate, Rental & Leasing | 1,300 | 1,300 | 1,400 | 1,400 | 1,400 |
| Professional and Business Services | 10,400 | 10,600 | 10,700 | 9,900 | 9,500 |
| Educational and Health Services | 17,100 | 17,200 | 17,700 | 18,600 | 19,400 |
| Leisure and Hospitality | 10,300 | 11,800 | 14,000 | 14,400 | 14,400 |
| Other Services | 4,400 | 4,300 | 4,700 | 4,700 | 4,700 |
| Federal Government | 600 | 500 | 500 | 500 | 500 |
| State Government | 8,400 | 7,700 | 6,300 | 6,400 | 5,900 |
| Local Government | 12,000 | 11,900 | 12,000 | 12,300 | 12,700 |
| Total All Industries (3) | 101,900 | 103,700 | 106,400 | 106,600 | 107,500 |

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

**Largest Employers**

The following table lists the largest manufacturing and non-manufacturing employers within the County as of April 2025, in alphabetical order.

**SANTA CRUZ COUNTY**
**Largest Employers**
**April 2025**

| 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.*

**Effective Buying Income**

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2021 through 2025.

**SANTA CRUZ COUNTY**
**Median Household Effective Buying Income**
**2021 through 2025**

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| City of Scotts Valley | $100,625 | $118,158 | $101,170 | $109,076 | $104,576 |
| County of Santa Cruz | 77,281 | 86,647 | 85,962 | 91,915 | 87,816 |
| California | 67,956 | 77,058 | 77,175 | 80,973 | 82,725 |
| United States | 56,790 | 64,448 | 65,326 | 67,876 | 69,687 |

*Source: Claritas, LLC.*

*Remainder of page intentionally left blank.*

## Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data are available is shown in the following table.

Total taxable sales reported during calendar year 2024 in the City were $227,694,691, a 1.59% increase over the total taxable sales of $224,133,782 reported during calendar year 2023.

**CITY OF SCOTTS VALLEY**
**Taxable Retail Sales**
**Number of Permits and Valuation of Taxable Transactions**
**Calendar Years 2020 through 2024**
**(Dollars in Thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2020 | 383 | $132,993 | 748 | $164,937 |
| 2021 | 357 | 159,061 | 669 | 200,053 |
| 2022 | 331 | 171,801 | 657 | 216,770 |
| 2023 | 306 | 178,293 | 616 | 224,134 |
| 2024 | 307 | 178,017 | 619 | 227,695 |

*Source: State Department of Tax and Fee Administration.*

Total taxable sales during calendar year 2024 in the County were reported to be $4,867,557,970, a 0.02% increase over the total taxable sales of $4,866,535,909 reported during calendar year 2023.

**SANTA CRUZ COUNTY**
**Taxable Retail Sales**
**Number of Permits and Valuation of Taxable Transactions**
**Calendar Years 2020 through 2024**
**(Dollars in Thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2020 | 6,397 | $2,965,816 | 11,095 | $3,934,304 |
| 2021 | 5,566 | 3,433,759 | 9,801 | 4,575,986 |
| 2022 | 5,587 | 3,592,319 | 10,007 | 4,846,272 |
| 2023 | 5,264 | 3,627,341 | 9,524 | 4,866,536 |
| 2024 | 5,188 | 3,600,727 | 9,439 | 4,867,558 |

*Source: State Department of Tax and Fee Administration.*

**Construction Activity**

The tables below summarize building activity in the City and the County from calendar years 2019 through 2023. Calendar year 2024 data is not yet avaiable.

**CITY OF SCOTTS VALLEY**
**Total Building Permit Valuations**
**Calendar Years 2019 through 2023**
**(Valuations in Thousands)**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $2,264.4 | $2,526.4 | $11,996.8 | $14,691.0 | $0.0 |
| New Multi-family | 0.0 | 0.0 | 823.8 | 0.0 | 0.0 |
| Res. Alterations/Additions | 2,012.3 | 1,538.3 | 2,126.3 | 2,962.9 | 2,364.5 |
| Total Residential | $4,276.7 | $4,064.7 | $14,946.9 | $17,653.9 | $2,364.5 |
| | | | | | |
| New Commercial | $3,446.8 | $0.0 | $0.0 | $0.0 | $30.0 |
| New Industrial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 719.4 | 565.0 | 401.0 | 662.2 | 484.0 |
| Com. Alterations/Additions | 6,361.0 | 232.4 | 11,986.7 | 3,727.3 | 3,967.2 |
| Total Nonresidential | $10,527.2 | $797.4 | $12,387.7 | $4,389.5 | $4,481.2 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 11 | 11 | 27 | 31 | 0 |
| Multiple Family | 0 | 0 | 15 | 0 | 0 |
| TOTAL | 11 | 11 | 42 | 31 | 0 |

*Source: Construction Industry Research Board, Building Permit Summary.*

**SANTA CRUZ COUNTY**
**Total Building Permit Valuations**
**Calendar Years 2019 through 2023**
**(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 | $16,978.8 | $4,680.6 | $3,552.4 | $32,566.3 | $1,004.4 |
| New Industrial | 619.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 6,793.4 | 2,070.0 | 3,475.9 | 4,766.5 | 37,448.6 |
| Com. Alterations/Additions | 41,089.3 | 7,209.5 | 17,733.0 | 23,687.5 | 48,241.1 |
| Total Nonresidential | $65,481.3 | $13,960.1 | $24,761.3 | $61,020.3 | $86,694.1 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 215 | 151 | 230 | 362 | 245 |
| Multiple Family | 76 | 8 | 15 | 150 | 83 |
| TOTAL | 291 | 159 | 245 | 512 | 328 |

*Source: Construction Industry Research Board, Building Permit Summary.*

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## APPENDIX D

## PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

### Opinion for Series A Bonds

[LETTERHEAD OF JONES HALL]

______, 2025

Board of Trustees
Scotts Valley Unified School District
108 Whispering Pines Drive, Suite 115
Scotts Valley, California. 95066

***OPINION:*** $___________ Scotts Valley Unified School District
(Santa Cruz County, California)
General Obligation Bonds, 2024 Election, Series A-1 (Tax-Exempt) and Series A-2 (Federally Taxable)

Members of the Board of Trustees:

We have acted as bond counsel to the Scotts Valley Unified School District (the "District") in connection with the issuance by the District of $_______ principal amount of Scotts Valley Unified School District (Santa Cruz County, California) General Obligation Bonds, 2024 Election, Series A-1 (Tax-Exempt) and Series A-2 (Federally Taxable) (the "Series A-1 Bonds" and the "Series A-2 Bonds", and together, the "Bonds"), dated the date hereof, under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and Resolution No. ____ of the Board of Trustees of the District (the "Board") adopted on March 11, 2025 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and other certifications and opinions furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing unified school district with the power to issue the Bonds pursuant to the Bond Law, and to perform its obligations under the Resolution and the Bonds.

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

3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of Santa Cruz County is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

5. The interest on the Series A-1 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. It should be noted, however, that interest on the Series A-1 Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series A-1 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Series A-1 Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

## Opinion for Refunding Bonds

[LETTERHEAD OF JONES HALL]

______, 2025

Board of Education
Scotts Valley Unified School District
108 Whispering Pines Drive, Suite 115
Scotts Valley, California. 95066

***OPINION:*** $___________ Scotts Valley Unified School District
(Santa Cruz County, California)
2025 Refunding General Obligation Bonds (Federally Taxable)

Members of the Board of Trustees:

We have acted as bond counsel to the Scotts Valley Unified School District (the "District") in connection with the issuance by the District of $_______ principal amount of Scotts Valley Unified School District (Santa Cruz County, California) 2025 Refunding General Obligation Bonds (Federally Taxable) (the "Bonds"), dated the date hereof, under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Sections 53550 and 58580 of such Code (the "Refunding Bond Law"), and Resolution No. 3974 of the Board of Trustees of the District (the "Board") adopted on March 11, 2025 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and other certifications and opinions furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing unified school district with the power to issue the Bonds pursuant to the Refunding Bond Law, and to perform its obligations under the Resolution and the Bonds.

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

3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of Santa Cruz County is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

| | | |
|---|---|---|
| **$_____** | **$_____** | **$_____** |
| **SCOTTS VALLEY UNIFIED SCHOOL DISTRICT** | **SCOTTS VALLEY UNIFIED SCHOOL DISTRICT** | **SCOTTS VALLEY UNIFIED SCHOOL DISTRICT** |
| **(Santa Cruz County, California)** | **(Santa Cruz County, California)** | **(Santa Cruz County, California)** |
| **General Obligation Bonds** | **General Obligation Bonds** | **2025 Refunding** |
| **2024 Election, Series A-1** | **2024 Election, Series A-2** | **General Obligation Bonds** |
| **(Tax-Exempt)** | **(Federally Taxable)** | **(Tax-Exempt)** |

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is dated the date set forth below and is executed and delivered by the Scotts Valley Unified School District (the "District") in connection with the issuance of the above-captioned bonds (the "Bonds"). The Bonds are being issued under two resolutions of the Board of Trustees of the District adopted on March 11, 2025 (collectively, the "Bond Resolution").

The District hereby covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate**. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**Section 2. Definitions**. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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 ending June 30$^{th}$), or March 31.

"*Dissemination Agent*" means, Isom Advisors, a Division of Urban Futures, Inc., or any other third-party Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank Trust Company, National Association, Santa Cruz, California, as agent for the Treasurer-Tax Collector of Santa Cruz County or any successor thereto.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 3. Provision of Annual Reports**.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing by March 31, 2026 with the report for the 2024-25 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. 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 (or cause the Dissemination Agent to provide) notice to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB, with a copy to the Paying Agent.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

**Section 4. Content of Annual Reports**. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available 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 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.

(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. In addition, if more current information than the most recently completed fiscal year is available at the time of filing the Annual Report, the filing of such information satisfies the requirements of paragraph (b) of this Section.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The 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 District, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 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 (a)(16), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation**. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 8. Dissemination Agent**. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

**Section 9. Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District 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, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 12. 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 arising from, caused by, or materially related to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent 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.

Date: ________, 2025

**SCOTTS VALLEY UNIFIED SCHOOL DISTRICT**

By: ___________________________________

Name: _________________________________

Title: __________________________________

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# APPENDIX F

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of each series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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# APPENDIX G

# SANTA CRUZ COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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# COUNTY OF SANTA CRUZ

# 2025

# INVESTMENT POLICY

Adopted by Board of Supervisors on December 10, 2024

Policy in effect for calendar year 2025

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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**
**December 31, 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

December 31, 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 December 31, 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 December 31, 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
2340485E9BBC4F7...

EDITH DRISCOLL
Auditor-Controller-Treasurer-Tax Collector

12/31/2024

# Santa Cruz County Treasurer's Portfolio
## As of December 31, 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 Note | 26,270,202.61 | 26,959,921.88 | 5.14% | 27,000,000.00 | 26,968,950.00 | 1.70% | 100.00% | 04/10/24 | 01/15/25 | Aaa/AA+/AAA |
| US Treasury Note | 26,575,042.07 | 26,943,773.75 | 5.13% | 27,000,000.00 | 26,959,770.00 | 1.70% | 100.00% | 04/10/24 | 01/31/25 | Aaa/AA+/AAA |
| US Treasury Note | 49,828,464.67 | 49,684,275.79 | 4.50% | 50,000,000.00 | 49,725,000.00 | 3.14% | 100.00% | 09/05/24 | 05/15/25 | Aaa/AA+/AAA |
| US Treasury Note | 33,736,741.17 | 34,365,072.69 | 4.80% | 35,000,000.00 | 34,431,950.00 | 2.17% | 100.00% | 08/02/24 | 05/31/25 | Aaa/AA+/AAA |
| US Treasury | 50,898,909.68 | 49,883,449.39 | 5.12% | 50,000,000.00 | 50,120,500.00 | 3.15% | 100.00% | 06/27/24 | 06/30/25 | Aaa/AA+/AAA |
| US Treasury Note | 25,472,316.58 | 25,465,226.24 | 4.35% | 25,000,000.00 | 25,478,566.58 | 1.61% | 100.00% | 12/05/24 | 07/31/25 | Aaa/AA+/AAA |
| U.S.Trust | 19,352,581.52 | 19,764,241.65 | 5.15% | 20,000,000.00 | 19,861,200.00 | 1.25% | 100.00% | 09/26/23 | 08/15/25 | Aaa/AA+/AAA |
| US Treasury Note | 24,757,642.66 | 24,799,746.79 | 4.32% | 25,000,000.00 | 24,805,173.91 | 1.57% | 100.00% | 12/05/24 | 08/15/25 | Aaa/AA+/AAA |
| US Treasury Note | 30,109,146.24 | 30,117,158.39 | 4.27% | 30,000,000.00 | 30,115,952.49 | 1.90% | 100.00% | 12/19/24 | 09/15/25 | Aaa/AA+/AAA |
| US Treasury Note | 24,243,228.45 | 24,278,374.42 | 4.31% | 25,000,000.00 | 24,286,986.26 | 1.54% | 100.00% | 12/19/24 | 09/30/25 | Aaa/AA+/AAA |
| U.S.Trust | 13,329,092.97 | 14,023,620.70 | 5.01% | 15,000,000.00 | 14,165,250.00 | 0.89% | 100.00% | 10/18/23 | 08/31/26 | Aaa/AA+/NA |
| U.S.Trust | 30,737,564.04 | 30,291,569.84 | 4.04% | 30,000,000.00 | 30,183,600.00 | 1.92% | 100.00% | 12/28/23 | 10/15/26 | Aaa/AA+/NA |
| U.S.Trust | 19,106,521.74 | 19,224,401.85 | 4.39% | 20,000,000.00 | 19,261,400.00 | 1.22% | 100.00% | 12/12/23 | 07/31/27 | Aaa/AA+/NA |
| U.S.Trust | 19,318,260.65 | 19,385,454.25 | 4.39% | 20,000,000.00 | 19,424,000.00 | 1.23% | 100.00% | 12/12/23 | 08/31/27 | Aaa/AA+/NA |
| US Treasury Note | 22,458,898.53 | 22,609,674.28 | 4.12% | 25,000,000.00 | 22,504,476.65 | 1.43% | 100.00% | 10/30/24 | 09/30/27 | Aaa/AA+/AAA |
| U.S.Trust | 17,592,561.14 | 18,065,630.64 | 4.33% | 20,000,000.00 | 18,020,400.00 | 1.14% | 100.00% | 12/12/23 | 06/30/28 | Aaa/AA+/NA |
| US Treasury Note | 17,794,505.49 | 18,165,576.37 | 4.03% | 20,000,000.00 | 17,913,400.00 | 1.15% | 100.00% | 01/31/24 | 10/31/28 | Aaa/AA+/NA |
| US Treasury Note | 17,794,505.49 | 14,853,770.10 | 4.02% | 15,000,000.00 | 14,663,250.00 | 0.94% | 100.00% | 01/31/24 | 12/31/28 | Aaa/AA+/NA |
| **Total US Treasuries** | **469,376,185.70** | **468,880,939.02** | **4.56%** | **479,000,000.00** | **468,889,825.89** | **29.65%** | | | | |
| | | | | | | | | | | |
| **U.S. Government Agencies** | | | | | | | | | | |
| Federal Farm Credit Bank | 20,043,100.00 | 20,000,398.04 | 0.32% | 20,000,000.00 | 19,971,400.00 | 1.26% | 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 | 19,961,800.00 | 1.26% | 100.00% | 08/15/22 | 08/15/25 | Aaa/AA+/AAA |
| Fed.Home Loan Mtg.Corp | 14,965,593.75 | 14,992,649.91 | 0.44% | 15,000,000.00 | 14,587,650.00 | 0.95% | 100.00% | 12/22/20 | 09/23/25 | Aaa/AA+/AAA |
| Federal Home Loan Bank | 25,000,000.00 | 25,000,000.00 | 4.38% | 25,000,000.00 | 24,989,000.00 | 1.58% | 100.00% | 12/27/24 | 09/25/26 | Aaa/AA+/AAA |
| Federal Home Loan Bank | 15,000,000.00 | 15,000,000.00 | 1.15% | 15,000,000.00 | 14,170,800.00 | 0.95% | 100.00% | 10/28/21 | 10/28/26 | Aaa/AA+/AAA |
| Fannie Mae | 4,002,377.78 | 4,000,000.00 | 5.35% | 4,000,000.00 | 4,004,600.00 | 0.25% | 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 | 27,043,200.00 | 1.71% | 100.00% | 06/10/24 | 06/10/27 | Aaa/AA+/AA+ |
| Federal Home Loan Bank | 25,000,000.00 | 25,000,000.00 | 4.40% | 25,000,000.00 | 24,928,250.00 | 1.58% | 100.00% | 12/05/24 | 12/03/27 | Aaa/AA+/AAA |
| Fannie Mae | 25,000,000.00 | 25,000,000.00 | 4.50% | 25,000,000.00 | 24,941,500.00 | 1.58% | 100.00% | 12/19/24 | 05/19/28 | Aaa/AA+/AAA |
| Fannie Mae | 25,000,000.00 | 25,000,000.00 | 4.49% | 25,000,000.00 | 24,931,750.00 | 1.58% | 100.00% | 12/20/24 | 07/20/28 | Aaa/AA+/AAA |
| **Total Government Agencies** | **201,011,071.53** | **200,993,047.95** | **3.58%** | **201,000,000.00** | **199,529,950.00** | **12.71%** | | | | |
| | | | | | | | | | | |
| **Supranationals** | | | | | | | | | | |
| Int Bank of Recon & Development | 15,021,614.58 | 15,000,000.00 | 0.63% | 15,000,000.00 | 14,831,250.00 | 0.95% | 30.00% | 07/15/21 | 04/22/25 | Aaa/AAA/NA |
| Int Bank of Recon & Development | 17,942,900.00 | 17,985,132.43 | 0.60% | 18,000,000.00 | 17,434,080.00 | 1.14% | 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 | 19,866,720.00 | 1.26% | 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 | 1.58% | 30.00% | 04/10/24 | 03/27/29 | Aaa/AAA/NA |
| International Bank of Reconstructio | 25,000,000.00 | 25,000,000.00 | 4.29% | 25,000,000.00 | 24,687,750.00 | 1.58% | 30.00% | 11/06/24 | 10/30/29 | Aaa/AAA/NA |
| **Total Supranationals** | **102,964,514.58** | **102,985,132.43** | **3.30%** | **103,000,000.00** | **101,819,800.00** | **6.51%** | | | | |
| | | | | | | | | | | |
| **Medium Term Notes** | | | | | | | | | | |
| Toyota Motor Corp | 9,483,819.44 | 9,988,315.20 | 5.14% | 10,000,000.00 | 9,989,900.00 | 0.63% | 30.00% | 07/20/23 | 01/13/25 | A1/A+/A+ |
| Microsoft | 17,665,053.60 | 17,545,998.07 | 2.60% | 17,544,000.00 | 17,507,508.48 | 1.11% | 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 | 9,947,800.00 | 0.63% | 30.00% | 03/10/22 | 03/10/25 | A2/A-/AA- |
| Intel Corporation | 9,945,250.00 | 9,934,233.20 | 4.91% | 10,000,000.00 | 9,932,800.00 | 0.63% | 30.00% | 07/20/23 | 07/29/25 | A2/A/A- |
| Toyota Motor Corp | 29,659,732.88 | 29,531,130.96 | 4.62% | 29,705,000.00 | 29,548,751.70 | 1.87% | 30.00% | 01/02/24 | 08/18/25 | A1/A+/A+ |
| Toyota Motor Corp | 9,170,222.22 | 9,700,556.24 | 4.84% | 10,000,000.00 | 9,713,400.00 | 0.61% | 30.00% | 07/17/23 | 10/16/25 | A1/A+/A+ |
| Apple Inc | 9,123,316.67 | 9,608,776.11 | 4.50% | 10,000,000.00 | 9,608,800.00 | 0.61% | 30.00% | 07/17/23 | 02/08/26 | Aaa/AA+/NA |
| Merck & Co Inc | 4,970,725.00 | 4,991,584.15 | 0.90% | 5,000,000.00 | 4,794,600.00 | 0.32% | 30.00% | 09/24/21 | 02/24/26 | A1/A+/A+ |
| Intel Corporation | 23,886,961.11 | 24,137,152.93 | 5.25% | 25,000,000.00 | 24,239,000.00 | 1.53% | 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 | 15,033,150.00 | 0.95% | 30.00% | 06/12/26 | 06/12/26 | A1/A-/A |
| Toyota Motor Credit | 24,875,000.00 | 24,885,869.57 | 3.88% | 25,000,000.00 | 24,469,000.00 | 1.57% | 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 | 10,042,800.00 | 0.63% | 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 | 19,661,100.00 | 1.26% | 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 | 14,965,800.00 | 0.95% | 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 | 24,359,250.00 | 1.58% | 30.00% | 07/24/24 | 07/24/29 | A1/A+/A+ |
| **Total Medium Term Notes** | **233,780,080.92** | **235,323,616.43** | **4.56%** | **237,249,000.00** | **233,813,660.18** | **14.88%** | | | | |

# Santa Cruz County Treasurer's Portfolio
## As of December 31, 2024

| ISSUER | COST | BOOK VALUE | YIELD | PAR VALUE | MARKET VALUE (1) | % of PORTFOLIO (5) | % ALLOWED | PURCHASE DATE | MATURITY DATE | CREDIT RATING (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Negotiable CDs** | | | | | | | | | | |
| Standard Chartered Bank | 30,000,000.00 | 30,000,000.00 | 5.44% | 30,000,000.00 | 30,039,000.00 | 1.90% | 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 | 50,019,000.00 | 3.16% | 30.00% | 09/06/24 | 05/06/25 | P1/A1/F1 |
| Toronto Dominion NY | 30,000,000.00 | 30,000,000.00 | 4.62% | 30,000,000.00 | 30,006,000.00 | 1.90% | 30.00% | 11/07/24 | 07/07/25 | P1/A1/F1 |
| Toronto Dominion Bank NY | 50,000,000.00 | 50,000,000.00 | 4.63% | 50,000,000.00 | 50,017,500.00 | 3.16% | 30.00% | 12/04/24 | 07/16/25 | P1/A1/F1 |
| Standard Chartered Bank NY | 25,000,000.00 | 25,000,000.00 | 4.24% | 25,000,000.00 | 24,942,250.00 | 1.58% | 30.00% | 09/26/24 | 07/24/25 | P1/A1/F1 |
| BNP Paribas NY | 45,000,000.00 | 45,000,000.00 | 4.60% | 45,000,000.00 | 45,000,000.00 | 2.85% | 30.00% | 12/18/24 | 10/15/25 | P1/A1/F1 |
| **Total Negotiable CDs** | **230,000,000.00** | **230,000,000.00** | **4.71%** | **230,000,000.00** | **230,023,750.00** | **14.54%** | | | | |
| **Municipal Bonds** | | | | | | | | | | |
| State of California | 15,109,085.00 | 15,171,982.81 | 4.15% | 15,200,000.00 | 15,162,760.00 | 0.96% | 100.00% | 01/20/23 | 04/01/25 | Aa2/AA-/AA |
| University of Calif | 9,430,824.50 | 8,689,996.47 | 0.92% | 8,600,000.00 | 8,548,572.00 | 0.55% | 100.00% | 04/01/21 | 07/01/25 | Aa2/AA/AA |
| Suc Agc City & County San Fran | 4,299,555.00 | 4,257,968.26 | 1.23% | 4,250,000.00 | 4,183,190.00 | 0.27% | 100.00% | 12/15/21 | 08/01/25 | NA/AA/NA |
| Cabrillo Comm College GO | 1,172,879.19 | 1,206,270.29 | 3.50% | 1,215,000.00 | 1,200,529.35 | 0.08% | 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 | 9,485,200.00 | 0.63% | 100.00% | 08/20/21 | 08/01/26 | Aa2/AA+/AA |
| Los Angeles Community College | 5,000,507.78 | 4,994,471.40 | 1.25% | 5,000,000.00 | 4,766,050.00 | 0.32% | 100.00% | 11/15/21 | 08/01/26 | Aaa/AA+/NA |
| University of Calif | 6,284,390.00 | 6,573,530.40 | 4.13% | 7,000,000.00 | 6,503,560.00 | 0.42% | 100.00% | 05/22/23 | 05/15/27 | Aa2/AA/AA |
| University of Calif | 2,706,569.00 | 2,825,420.29 | 3.99% | 3,000,000.00 | 2,787,240.00 | 0.18% | 100.00% | 05/18/23 | 05/15/27 | Aa2/AA/AA |
| State of California | 13,090,641.67 | 13,604,183.92 | 5.10% | 15,000,000.00 | 13,817,100.00 | 0.86% | 100.00% | 05/18/23 | 02/01/28 | Aa2/AA-/AA |
| **Total Municipal Bonds** | **67,099,165.20** | **67,323,823.84** | **3.02%** | **69,265,000.00** | **66,454,201.35** | **4.26%** | | | | |
| **Checking (4)** | | | | | | | | | | |
| **US Bank Checking** | 42,737,813.73 | 42,737,813.73 | 0.00% | 42,737,813.73 | 42,737,813.73 | 0.00% | 100.00% | NA | NA | NA/NA/NA |
| **Total Checking** | **42,737,813.73** | **42,737,813.73** | **0.00%** | **42,737,813.73** | **42,737,813.73** | **0.00%** | | | | |
| **Money Market Funds (3)** | | | | | | | | | | |
| US Bank CDA | 50,000,000.00 | 50,000,000.00 | 4.41% | 50,000,000.00 | 50,000,000.00 | 3.16% | 20.00% | NA | NA | NA/NA/NA |
| Bank of the West MMF | 10,000,000.00 | 10,000,000.00 | 3.79% | 10,000,000.00 | 10,000,000.00 | 0.63% | 100.00% | NA | NA | NA/NA/NA |
| US Bank | NA | 0.00 | 4.44% | 0.00 | 0.00 | 0.00% | 100.00% | NA | NA | NA/NA/NA |
| **Total Money Market Funds** | **60,000,000.00** | **60,000,000.00** | **4.31%** | **60,000,000.00** | **60,000,000.00** | **3.79%** | | | | |
| **Miscellaneous Investments** | | | | | | | | | | |
| LAIF (General Fund) | 10,000.00 | 10,000.00 | 4.43% | 10,000.00 | 10,000.00 | 0.00% | 10.00% | NA | NA | NA/NA/NA |
| CAMP | 216,000,000.00 | 216,000,000.00 | 4.73% | 216,000,000.00 | 216,000,000.00 | 13.66% | 25.00% | NA | NA | NA/AAAm/NA |
| **Total Misc. Investments** | **216,010,000.00** | **216,010,000.00** | **4.73%** | **216,010,000.00** | **216,010,000.00** | **13.66%** | | | | |
| **GRAND TOTAL** | **$1,622,978,831.66** | **$1,624,254,373.40** | **4.21%** | **$1,638,261,813.73** | **$1,619,279,001.15** | **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**

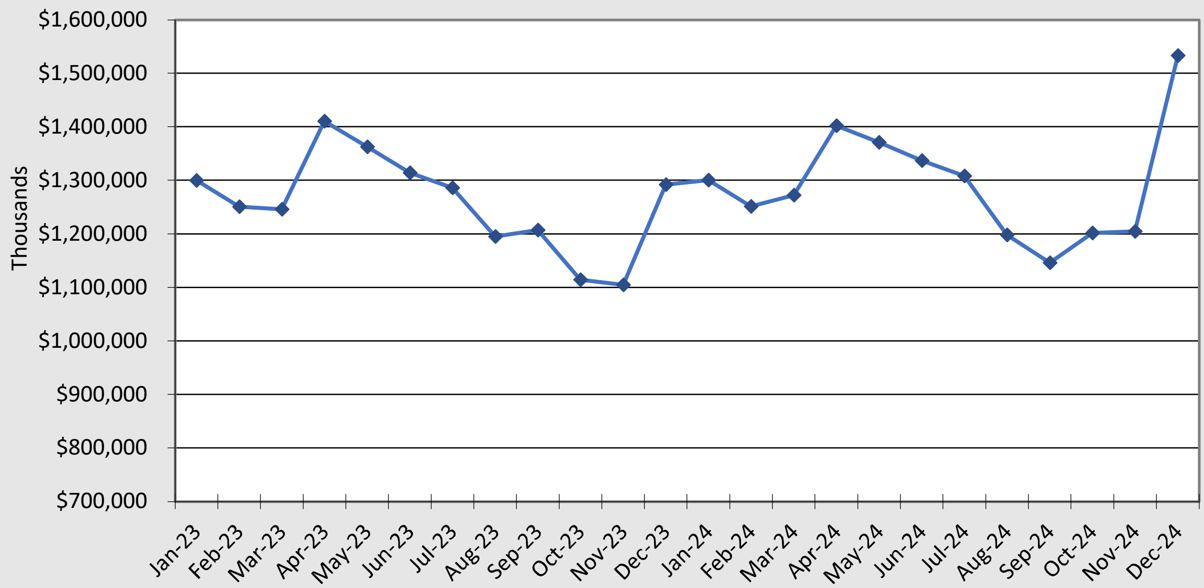
# County of Santa Cruz Investment Pool

Portfolio Size and Composition

December 31, 2024

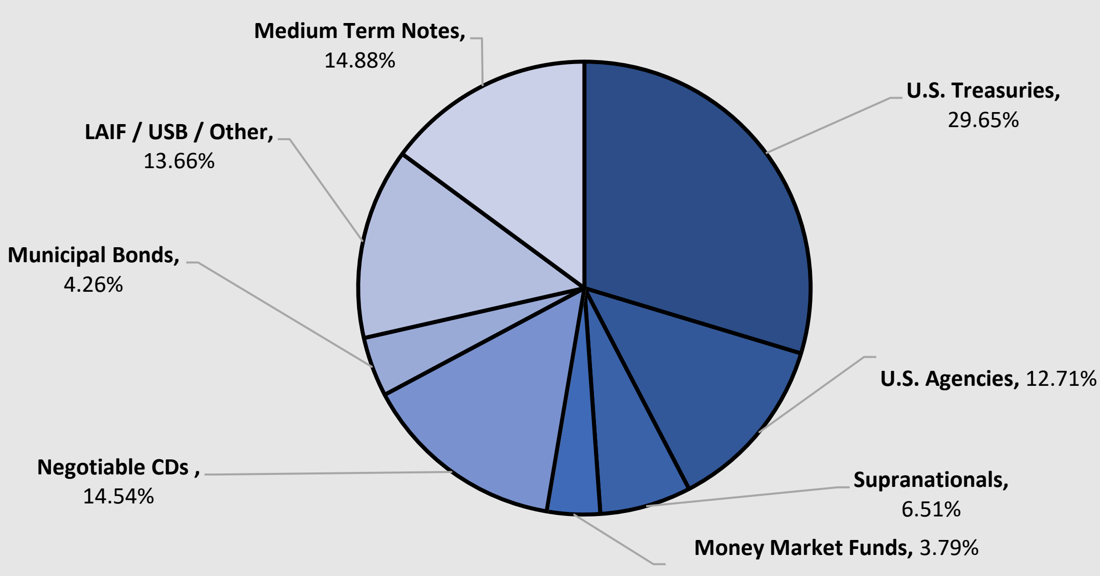
## Monthly Portfolio Balance Trend

Historic review of monthly balance trends from January 2023 to December 2024. Two years ago, portfolio balances were approximately $1.30 billion compared to our reported amount of $1.53 billion.




## Portfolio Composition

Investment breakdown of the County Investment Pool as of December 2024. U.S Treasury and U.S Agency bonds are approximately 42% 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

December 31, 2024

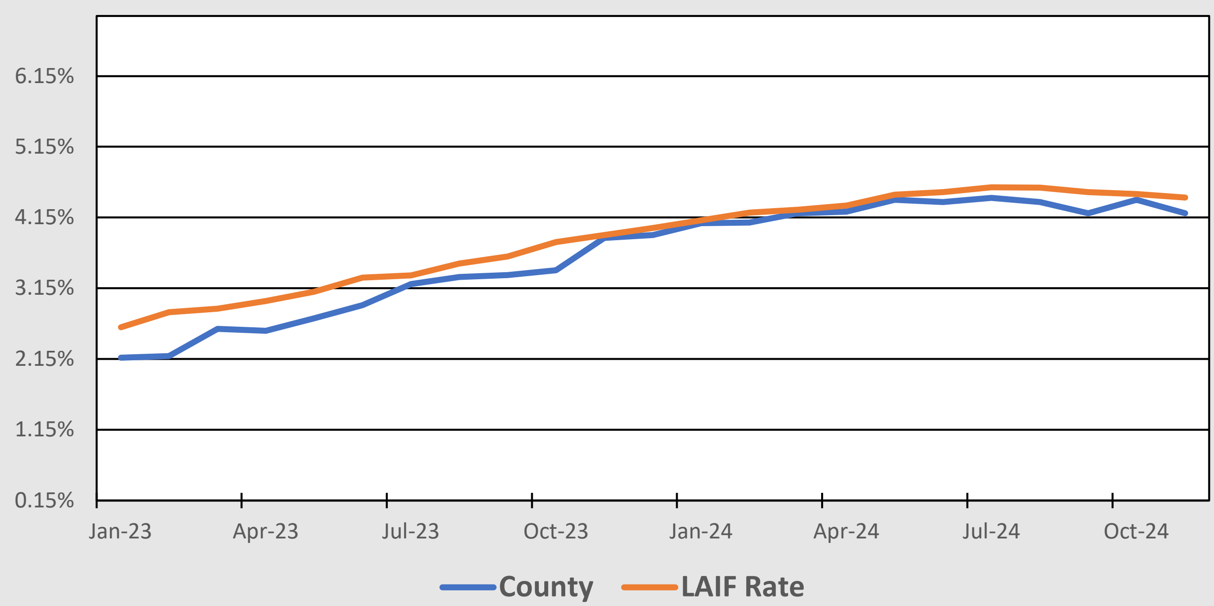
## Apportionment Rate History

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 December 2024, the apportionment rate of the County Investment Pool is a 4.21% yield, versus a 4.43% yield from LAIF.

| *Date* | *County* | *LAIF* | *Difference* |
|---|---|---|---|
| **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% |
| **Oct-24** | 4.21% | 4.51% | -0.30% |
| **Nov-24** | 4.40% | 4.48% | -0.08% |
| **Dec-24** | 4.21% | 4.43% | -0.22% |

## 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

December 31, 2024

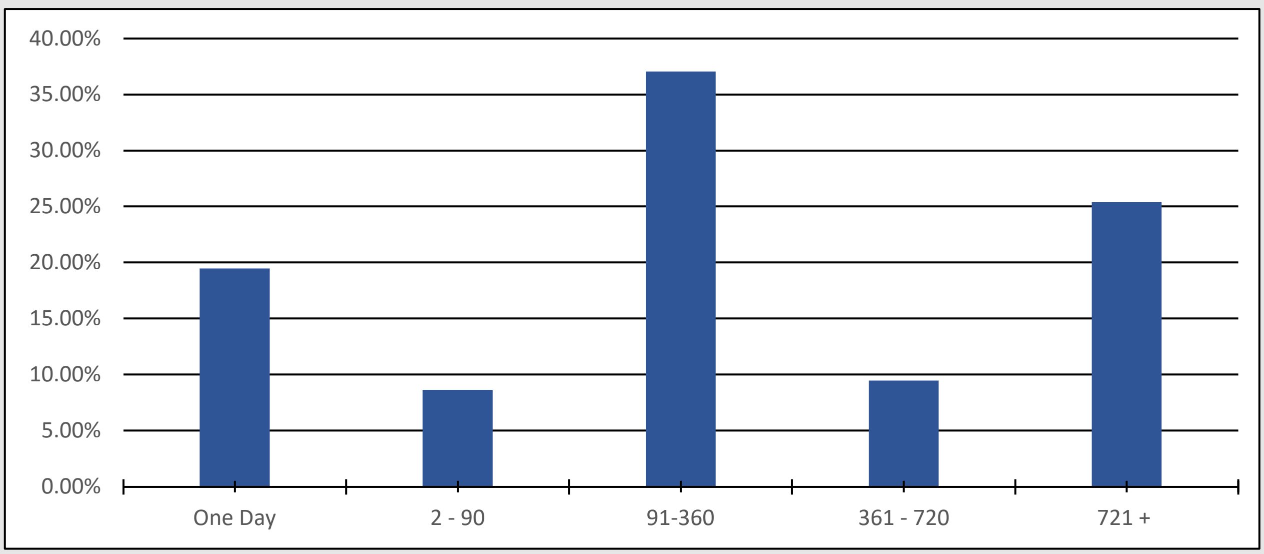
## Maturity Classification and Liquidity Review

Investment breakdown based on maturity, as of December 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 December 31, 2024, the portfolio's average investment takes approximately 457 days to mature.

| Category: | *Current Reported Values:* | *Historic Values:* Last Quarter \| Last Year \| Last 2 yrs. | | |
|---|---|---|---|---|
| | ***December 31, 2024*** | ***9/30/24*** | ***12/31/23*** | ***12/31/22*** |
| **One Day** | 19.46% | 14.27% | 23.93% | 24.23% |
| **2 - 90** | 8.64% | 5.89% | 14.00% | 8.06% |
| **91-360** | 37.05% | 41.25% | 29.56% | 32.01% |
| **361 - 720** | 9.46% | 9.50% | 16.25% | 23.29% |
| **721 +** | 25.39% | 29.09% | 16.27% | 12.41% |
| | | | | |
| **WAM** | 457 | 514 | 327 | 316 |
| **Duration** | 1.27 | 1.43 | 0.91 | 0.88 |

## Portfolio Maturity Distribution

Current allocation of maturities as of December 2024. Most fixed-income investments mature within the age range of 91 - 360 days. The County Investment Pool is currently very liquid, holding around 28.1% of Cash, and Cash-Equivalent securities (bonds and other investments maturing within 90 days).



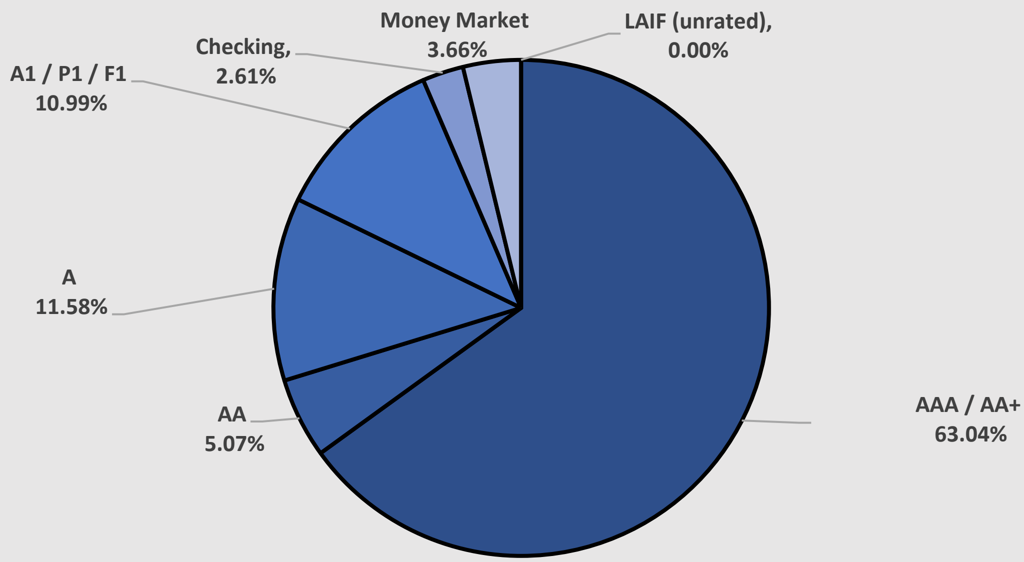
# County of Santa Cruz Investment Pool

Credit Quality

December 31, 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 December 2024, 74% of the portfolio is invested in the highest rated securities (AAA for long term, and A1 / P1 / F1 for short term). Counties within the State of California have strict investment standards and can only invest in highly rated, investment grade securities.




## Credit Breakdown

Current and historic values based on credit rating and outstanding cash accounts. The State of California's LAIF fund is unrated, but is governed by the same investment restrictions as the County Investment Pool, per CA government codes 16430 and 16480.4.

| *Rating Category* | *Current Reported Values:* | | *Historic Values: Last Quarter \| Last Year \| Last 2 yrs.* | | |
|---|---|---|---|---|---|
| | *December 31, 2024* | | *9/30/24* | *12/31/23* | *12/31/22* |
| | *$ (mm)* | *%* | | | |
| **AAA / AA+** | $ 1,033 | 63.04% | 61.37% | 71.72% | 65.00% |
| **AA** | $ 83 | 5.07% | 6.98% | 10.36% | 6.02% |
| **A** | $ 190 | 11.58% | 16.79% | 5.03% | 0.60% |
| **A1 / P1 / F1** | $ 180 | 10.99% | 8.83% | 7.39% | 4.15% |
| **Checking** | $ 43 | 2.61% | 0.99% | 0.64% | 2.37% |
| **Money Market** | $ 60 | 3.66% | 5.05% | 4.86% | 21.86% |
| **LAIF (unrated)** | $ 0 | 0.00% | 0.00% | 0.00% | 0.00% |

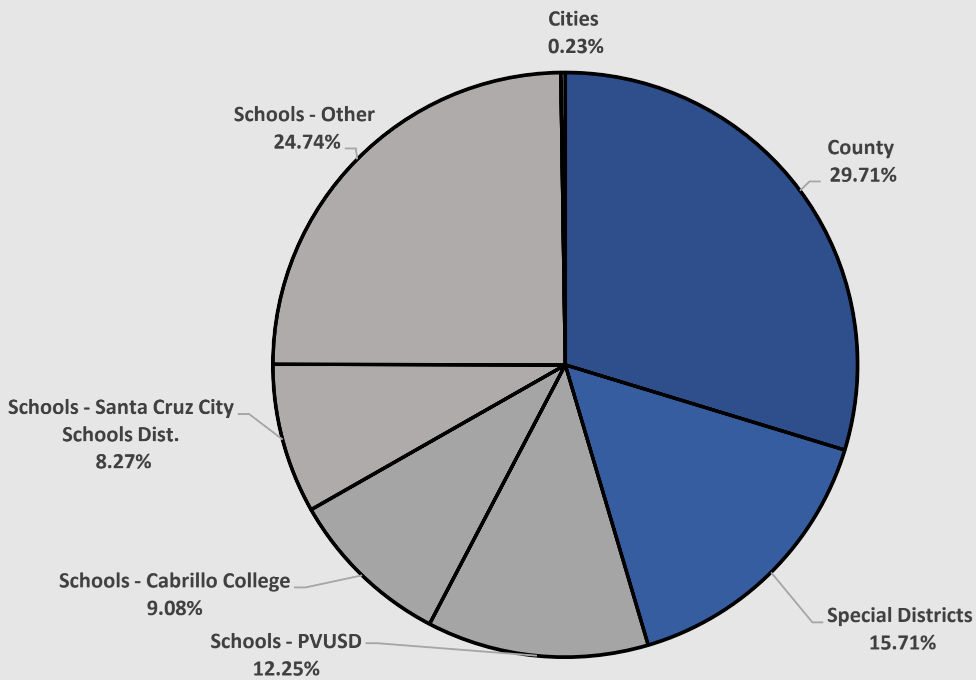
# County of Santa Cruz Investment Pool

Source of Funds

December 31, 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 54% of the County Investment Pool. The second largest participant is the County category, which consists of around 30% of the County Investment Pool.

| *Participant Category* | *Current Reported Values:* | *Historic Values:* Last Quarter \| Last Year \| Last 2 yrs. | | |
|---|---|---|---|---|
| | *December 31, 2024* | *9/30/2024* | *12/31/2023* | *12/31/2022* |
| **County** | 29.71% | 29.19% | 30.57% | 31.97% |
| **Special Districts** | 15.71% | 18.72% | 16.89% | 18.00% |
| **Schools** | 54.35% | 51.73% | 52.29% | 49.83% |
| **Cities** | 0.23% | 0.36% | 0.25% | 0.20% |

# DETAILED LIST OF INVESTMENTS OUTSTANDING

## As of December 31, 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
# December 31, 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 | 479,000,000.00 | 468,889,825.89 | 468,880,939.02 | 29.65 | 656 | 447 | 4.501 | 4.564 |
| Federal Agency Issues - Coupon | 201,000,000.00 | 199,529,950.00 | 200,993,047.95 | 12.71 | 1,221 | 756 | 3.529 | 3.578 |
| Medium Term Notes | 237,249,000.00 | 233,813,660.18 | 235,323,616.43 | 14.88 | 1,128 | 701 | 4.494 | 4.557 |
| Negotiable CDs | 230,000,000.00 | 230,023,750.00 | 230,000,000.00 | 14.54 | 259 | 180 | 4.642 | 4.706 |
| Municipal Bonds | 69,265,000.00 | 66,454,201.35 | 67,323,823.84 | 4.26 | 1,402 | 538 | 2.980 | 3.022 |
| Local Agency Investment Fund (LAIF) | 10,000.00 | 10,000.00 | 10,000.00 | 0.00 | 1 | 1 | 4.369 | 4.430 |
| Supranationals | 103,000,000.00 | 101,819,800.00 | 102,985,132.43 | 6.51 | 1,736 | 1,164 | 3.257 | 3.302 |
| Money Market Mutual Funds 02 | 276,000,000.00 | 276,000,000.00 | 276,000,000.00 | 17.45 | 1 | 1 | 4.575 | 4.638 |
| **Investments** | **1,595,524,000.00** | **1,576,541,187.42** | **1,581,516,559.67** | **100.00%** | **728** | **458** | **4.264** | **4.323** |

| Total Earnings | December 31 Period Ending |
|---|---|
| Current Year | 14,067,033.42 |
| **Average Daily Balance** | **1,297,897,702.47** |
| **Effective Rate of Return** | **4.30%** |

Santa Cruz County Treasurer,

**Reporting period 10/01/2024-12/31/2024**

Run Date: 01/07/2025 - 11:35

No fiscal year history available

Portfolio SCRZ
AC
PM (PRF_PM1) 7.3.11
Report Ver. 7.3.11

# County of Santa Cruz
## Portfolio Management
## Portfolio Details - Investments
## December 31, 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 | 26,959,770.00 | 26,943,773.75 | 2.500 | 5.054 | 5.125 | 30 | 01/31/2025 |
| 912828ZT0 | 22540 | US Treasury N/B | | 08/02/2024 | 35,000,000.00 | 34,431,950.00 | 34,365,072.69 | 0.250 | 4.737 | 4.802 | 150 | 05/31/2025 |
| 912828K74 | 22550 | US Treasury N/B | | 12/05/2024 | 25,000,000.00 | 24,805,173.91 | 24,799,746.79 | 2.000 | 4.264 | 4.324 | 226 | 08/15/2025 |
| 91282CFE6 | 22502 | U.S.Trust | | 09/26/2023 | 20,000,000.00 | 19,861,200.00 | 19,764,241.65 | 3.125 | 5.077 | 5.147 | 226 | 08/15/2025 |
| 91282CCW9 | 22507 | U.S.Trust | | 10/18/2023 | 15,000,000.00 | 14,165,250.00 | 14,023,620.70 | 0.750 | 4.936 | 5.005 | 607 | 08/31/2026 |
| 91282CFB2 | 22514 | U.S.Trust | | 12/12/2023 | 20,000,000.00 | 19,261,400.00 | 19,224,401.85 | 2.750 | 4.333 | 4.393 | 941 | 07/31/2027 |
| 91282CFH9 | 22515 | U.S.Trust | | 12/12/2023 | 20,000,000.00 | 19,424,000.00 | 19,385,454.25 | 3.125 | 4.328 | 4.388 | 972 | 08/31/2027 |
| 91282CCH2 | 22516 | U.S.Trust | | 12/12/2023 | 20,000,000.00 | 18,020,400.00 | 18,065,630.64 | 1.250 | 4.270 | 4.329 | 1,276 | 06/30/2028 |
| 91282CJC6 | 22518 | U.S.Trust | | 12/28/2023 | 30,000,000.00 | 30,183,600.00 | 30,291,569.84 | 4.625 | 3.986 | 4.042 | 652 | 10/15/2026 |
| 91282CDF5 | 22522 | U.S.Trust | | 01/31/2024 | 20,000,000.00 | 17,913,400.00 | 18,165,576.37 | 1.375 | 3.976 | 4.031 | 1,399 | 10/31/2028 |
| 91282CJR3 | 22523 | U.S.Trust | | 01/31/2024 | 15,000,000.00 | 14,663,250.00 | 14,853,770.10 | 3.750 | 3.966 | 4.021 | 1,460 | 12/31/2028 |
| 91282CDS7 | 22532 | U.S.Trust | | 04/10/2024 | 27,000,000.00 | 26,968,950.00 | 26,959,921.88 | 1.125 | 5.066 | 5.136 | 14 | 01/15/2025 |
| 91282CHL8 | 22537 | U.S.Trust | | 06/27/2024 | 50,000,000.00 | 50,120,500.00 | 49,883,449.39 | 4.625 | 5.045 | 5.115 | 180 | 06/30/2025 |
| 91282CEQ0 | 22541 | U.S.Trust | | 09/05/2024 | 50,000,000.00 | 49,725,000.00 | 49,684,275.79 | 2.750 | 4.443 | 4.504 | 134 | 05/15/2025 |
| 91282CAL5 | 22545 | U.S.Trust | | 10/30/2024 | 25,000,000.00 | 22,504,476.65 | 22,609,674.28 | 0.375 | 4.063 | 4.119 | 1,002 | 09/30/2027 |
| 91282CHN4 | 22551 | U.S.Trust | | 12/05/2024 | 25,000,000.00 | 25,478,566.58 | 25,465,226.24 | 4.750 | 4.291 | 4.350 | 211 | 07/31/2025 |
| 91282CFK2 | 22555 | U.S.Trust | | 12/19/2024 | 30,000,000.00 | 30,115,952.49 | 30,117,158.39 | 3.500 | 4.207 | 4.266 | 257 | 09/15/2025 |
| 91282CAM3 | 22556 | U.S.Trust | | 12/19/2024 | 25,000,000.00 | 24,286,986.26 | 24,278,374.42 | 0.250 | 4.250 | 4.309 | 272 | 09/30/2025 |
| | | **Subtotal and Average** | **381,886,053.54** | | **479,000,000.00** | **468,889,825.89** | **468,880,939.02** | | **4.501** | **4.564** | **447** | |
| **Federal Agency Issues - Coupon** | | | | | | | | | | | | |
| 3133EMNF5 | 22399 | Federal Farm Credit Bank | | 01/27/2021 | 20,000,000.00 | 19,971,400.00 | 20,000,398.04 | 0.375 | 0.319 | 0.323 | 14 | 01/15/2025 |
| 3130APGN9 | 22427 | Federal Home Loan Bank | | 10/28/2021 | 15,000,000.00 | 14,170,800.00 | 15,000,000.00 | 1.150 | 1.134 | 1.150 | 665 | 10/28/2026 |
| 3130B3YL1 | 22549 | Federal Home Loan Bank | | 12/05/2024 | 25,000,000.00 | 24,928,250.00 | 25,000,000.00 | 4.400 | 4.340 | 4.400 | 1,066 | 12/03/2027 |
| 3130B4CW9 | 22557 | Federal Home Loan Bank | | 12/27/2024 | 25,000,000.00 | 24,989,000.00 | 25,000,000.00 | 4.380 | 4.323 | 4.384 | 632 | 09/25/2026 |
| 3137EAEX3 | 22398 | Fed.Home Loan Mtg.Corp | | 12/22/2020 | 15,000,000.00 | 14,587,650.00 | 14,992,649.91 | 0.375 | 0.437 | 0.443 | 265 | 09/23/2025 |
| 3134GXK94 | 22475 | Fed.Home Loan Mtg.Corp | | 08/15/2022 | 20,000,000.00 | 19,961,800.00 | 20,000,000.00 | 4.050 | 3.995 | 4.050 | 226 | 08/15/2025 |
| 3135GATN1 | 22535 | Federal National Mort. Assoc. | | 06/10/2024 | 4,000,000.00 | 4,004,600.00 | 4,000,000.00 | 5.350 | 5.277 | 5.350 | 884 | 06/04/2027 |
| 3135GATR2 | 22536 | Federal National Mort. Assoc. | | 06/10/2024 | 27,000,000.00 | 27,043,200.00 | 27,000,000.00 | 5.260 | 5.188 | 5.260 | 890 | 06/10/2027 |
| 3136GA3Z0 | 22553 | Federal National Mort. Assoc. | | 12/19/2024 | 25,000,000.00 | 24,941,500.00 | 25,000,000.00 | 4.500 | 4.439 | 4.501 | 1,234 | 05/19/2028 |
| 3136GA4A4 | 22554 | Federal National Mort. Assoc. | | 12/20/2024 | 25,000,000.00 | 24,931,750.00 | 25,000,000.00 | 4.490 | 4.430 | 4.491 | 1,296 | 07/20/2028 |
| | | **Subtotal and Average** | **116,483,849.18** | | **201,000,000.00** | **199,529,950.00** | **200,993,047.95** | | **3.529** | **3.578** | **756** | |
| **Medium Term Notes** | | | | | | | | | | | | |
| 037833EB2 | 22493 | Apple Inc | | 07/17/2023 | 10,000,000.00 | 9,608,800.00 | 9,608,776.11 | 0.700 | 4.438 | 4.500 | 403 | 02/08/2026 |
| 06048WT91 | 22457 | Bank of America | | 03/10/2022 | 10,000,000.00 | 9,947,800.00 | 10,000,000.00 | 2.350 | 2.318 | 2.350 | 68 | 03/10/2025 |

# County of Santa Cruz
## Portfolio Management
## Portfolio Details - Investments
## December 31, 2024

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | YTM 360 | YTM 365 | Days to Maturity | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Medium Term Notes** | | | | | | | | | | | | |
| 06055JEC9 | 22529 | Bank of America | | 04/19/2024 | 10,000,000.00 | 10,042,800.00 | 10,000,000.00 | 5.500 | 5.425 | 5.500 | 1,204 | 04/19/2028 |
| 48130CBC8 | 22492 | Chase Bank | | 06/12/2023 | 15,000,000.00 | 15,033,150.00 | 15,000,000.00 | 5.250 | 5.178 | 5.250 | 527 | 06/12/2026 |
| 48130CDD4 | 22509 | Chase Bank | | 11/15/2023 | 15,000,000.00 | 14,965,800.00 | 15,000,000.00 | 6.000 | 5.918 | 6.000 | 1,414 | 11/15/2028 |
| 458140AS9 | 22499 | Intel Corporation | | 07/20/2023 | 10,000,000.00 | 9,932,800.00 | 9,934,233.20 | 3.700 | 4.842 | 4.909 | 209 | 07/29/2025 |
| 458140AU4 | 22538 | Intel Corporation | | 06/27/2024 | 25,000,000.00 | 24,239,000.00 | 24,137,152.93 | 2.600 | 5.180 | 5.252 | 503 | 05/19/2026 |
| 58933YAY1 | 22425 | Merck & Co Inc | | 09/24/2021 | 5,000,000.00 | 4,794,600.00 | 4,991,584.15 | 0.750 | 0.888 | 0.900 | 419 | 02/24/2026 |
| 594918BB9 | 22462 | Microsoft Corp | | 04/06/2022 | 17,544,000.00 | 17,507,508.48 | 17,545,998.07 | 2.700 | 2.559 | 2.595 | 42 | 02/12/2025 |
| 89236THP3 | 22495 | Toyota Motor Credit Corp | | 07/17/2023 | 10,000,000.00 | 9,713,400.00 | 9,700,556.24 | 0.800 | 4.774 | 4.840 | 288 | 10/16/2025 |
| 89236TJT3 | 22498 | Toyota Motor Credit Corp | | 07/20/2023 | 10,000,000.00 | 9,989,900.00 | 9,988,315.20 | 1.450 | 5.065 | 5.135 | 12 | 01/13/2025 |
| 89236TKF1 | 22519 | Toyota Motor Credit Corp | | 01/02/2024 | 29,705,000.00 | 29,548,751.70 | 29,531,130.96 | 3.650 | 4.558 | 4.622 | 229 | 08/18/2025 |
| 89236TLQ6 | 22521 | Toyota Motor Credit Corp | | 01/26/2024 | 20,000,000.00 | 19,661,100.00 | 20,000,000.00 | 5.000 | 4.932 | 5.000 | 1,302 | 07/26/2028 |
| 89236TMH5 | 22539 | Toyota Motor Credit Corp | | 07/24/2024 | 25,000,000.00 | 24,359,250.00 | 25,000,000.00 | 5.000 | 4.932 | 5.000 | 1,665 | 07/24/2029 |
| 89236TMQ5 | 22544 | Toyota Motor Credit Corp | | 09/27/2024 | 25,000,000.00 | 24,469,000.00 | 24,885,869.57 | 3.700 | 3.825 | 3.878 | 1,000 | 09/28/2027 |
| | | **Subtotal and Average** | **244,338,073.90** | | **237,249,000.00** | **233,813,660.18** | **235,323,616.43** | | **4.494** | **4.557** | **701** | |
| **Negotiable CDs** | | | | | | | | | | | | |
| 05593DBW2 | 22542 | BNP Paribas NY Branch | | 09/06/2024 | 50,000,000.00 | 50,019,000.00 | 50,000,000.00 | 4.650 | 4.650 | 4.715 | 125 | 05/06/2025 |
| 05593DDR1 | 22552 | BNP Paribas NY Branch | | 12/18/2024 | 45,000,000.00 | 45,000,000.00 | 45,000,000.00 | 4.540 | 4.540 | 4.603 | 287 | 10/15/2025 |
| 85325VNQ9 | 22543 | Standard Chartered BK NY | | 09/26/2024 | 25,000,000.00 | 24,942,250.00 | 25,000,000.00 | 4.180 | 4.180 | 4.238 | 204 | 07/24/2025 |
| 85325VMV9 | 22534 | Standard Chartered | | 06/05/2024 | 30,000,000.00 | 30,039,000.00 | 30,000,000.00 | 5.440 | 5.365 | 5.440 | 58 | 02/28/2025 |
| 89115DDP8 | 22547 | Toronto Dominion Bank NY | | 11/07/2024 | 30,000,000.00 | 30,006,000.00 | 30,000,000.00 | 4.560 | 4.560 | 4.623 | 187 | 07/07/2025 |
| 89115DG34 | 22548 | Toronto Dominion | | 12/04/2024 | 50,000,000.00 | 50,017,500.00 | 50,000,000.00 | 4.570 | 4.570 | 4.633 | 196 | 07/16/2025 |
| | | **Subtotal and Average** | **145,543,478.26** | | **230,000,000.00** | **230,023,750.00** | **230,000,000.00** | | **4.642** | **4.706** | **180** | |
| **Municipal Bonds** | | | | | | | | | | | | |
| 127109QB5 | 22477 | Cabrillo Comm College GO | | 08/25/2022 | 1,215,000.00 | 1,200,529.35 | 1,206,270.29 | 2.194 | 3.452 | 3.500 | 212 | 08/01/2025 |
| 13063DGB8 | 22480 | State of California | | 01/20/2023 | 15,200,000.00 | 15,162,760.00 | 15,171,982.81 | 3.375 | 4.095 | 4.152 | 90 | 04/01/2025 |
| 13063DC48 | 22504 | State of California | | 10/06/2023 | 15,000,000.00 | 13,817,100.00 | 13,604,183.92 | 1.700 | 5.030 | 5.100 | 1,126 | 02/01/2028 |
| 419792YR1 | 22421 | HAWAII ST | | 08/20/2021 | 10,000,000.00 | 9,485,200.00 | 10,000,000.00 | 0.893 | 0.881 | 0.893 | 577 | 08/01/2026 |
| 54438CYL0 | 22439 | Los Angeles Community College | | 11/15/2021 | 5,000,000.00 | 4,766,050.00 | 4,994,471.40 | 1.174 | 1.229 | 1.246 | 577 | 08/01/2026 |
| 79770GJB3 | 22445 | Suc Agc City & County San Fran | | 12/15/2021 | 4,250,000.00 | 4,183,190.00 | 4,257,968.26 | 1.561 | 1.214 | 1.231 | 212 | 08/01/2025 |
| 91412GU94 | 22410 | University of Calif | | 04/01/2021 | 8,600,000.00 | 8,548,572.00 | 8,689,996.47 | 3.063 | 0.911 | 0.924 | 181 | 07/01/2025 |
| 91412HGF4 | 22489 | University of Calif | | 05/18/2023 | 3,000,000.00 | 2,787,240.00 | 2,825,420.29 | 1.316 | 3.939 | 3.994 | 864 | 05/15/2027 |
| 91412HGF4 | 22490 | University of Calif | | 05/22/2023 | 7,000,000.00 | 6,503,560.00 | 6,573,530.40 | 1.316 | 4.071 | 4.127 | 864 | 05/15/2027 |
| | | **Subtotal and Average** | **67,244,912.31** | | **69,265,000.00** | **66,454,201.35** | **67,323,823.84** | | **2.980** | **3.022** | **538** | |

# County of Santa Cruz
## Portfolio Management
## Portfolio Details - Investments
## December 31, 2024

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | YTM 360 | YTM 365 | Days to Maturity | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Local Agency Investment Fund (LAIF)** | | | | | | | | | | | | |
| SYS6501 | 6501 | LAIF (General Fund) | | | 10,000.00 | 10,000.00 | 10,000.00 | 4.430 | 4.369 | 4.430 | 1 | |
| | | **Subtotal and Average** | **10,099.87** | | **10,000.00** | **10,000.00** | **10,000.00** | | **4.369** | **4.430** | **1** | |
| **Dividends** | | | | | | | | | | | | |
| SYS22423 | 22423 | US Bank | | | 0.00 | 0.00 | 0.00 | 4.380 | 4.380 | 4.441 | 1 | |
| | | **Subtotal and Average** | **33.98** | | **0.00** | **0.00** | **0.00** | | **0.000** | **0.000** | **0** | |
| **Supranationals** | | | | | | | | | | | | |
| 459058JL8 | 22404 | Int Bank of Recon & Developmen | | 02/18/2021 | 18,000,000.00 | 17,434,080.00 | 17,985,132.43 | 0.500 | 0.593 | 0.602 | 300 | 10/28/2025 |
| 459058JB0 | 22420 | Int Bank of Recon & Developmen | | 07/15/2021 | 15,000,000.00 | 14,831,250.00 | 15,000,000.00 | 0.625 | 0.616 | 0.625 | 111 | 04/22/2025 |
| 45906M4W8 | 22525 | Int Bank of Recon & Developmen | | 02/16/2024 | 20,000,000.00 | 19,866,720.00 | 20,000,000.00 | 4.600 | 4.538 | 4.601 | 1,507 | 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 | 1,546 | 03/27/2029 |
| 45906M5W7 | 22546 | Int Bank of Recon & Developmen | | 11/06/2024 | 25,000,000.00 | 24,687,750.00 | 25,000,000.00 | 4.288 | 4.229 | 4.288 | 1,763 | 10/30/2029 |
| | | **Subtotal and Average** | **93,200,311.88** | | **103,000,000.00** | **101,819,800.00** | **102,985,132.43** | | **3.257** | **3.302** | **1,164** | |
| **Money Market Mutual Funds 02** | | | | | | | | | | | | |
| 070731229 | 1229 | Bank of Montreal | | 12/07/2022 | 10,000,000.00 | 10,000,000.00 | 10,000,000.00 | 3.790 | 3.738 | 3.790 | 1 | |
| SYS011119 | 22302 | CAMP | | 01/11/2019 | 216,000,000.00 | 216,000,000.00 | 216,000,000.00 | 4.730 | 4.665 | 4.730 | 1 | |
| 157 519 832 743 | 22283 | US Bank MMMF | | 10/23/2018 | 50,000,000.00 | 50,000,000.00 | 50,000,000.00 | 4.411 | 4.351 | 4.411 | 1 | |
| | | **Subtotal and Average** | **249,190,889.56** | | **276,000,000.00** | **276,000,000.00** | **276,000,000.00** | | **4.575** | **4.638** | **1** | |
| | | **Total and Average** | **1,297,897,702.47** | | **1,595,524,000.00** | **1,576,541,187.42** | **1,581,516,559.67** | | **4.264** | **4.323** | **458** | |

# County of Santa Cruz
## Portfolio Management
## Portfolio Details - Cash
## December 31, 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 | 1,297,897,702.47 | | 1,595,524,000.00 | 1,576,541,187.42 | 1,581,516,559.67 | | 4.264 | 4.323 | 458 |

# 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
## October 1, 2024 - December 31, 2024

| CUSIP | Investment # | Issuer | Percent of Portfolio | Par Value Beginning Balance | Current Rate | Transaction Date | Par Value Purchases or Deposits | Par Value Redemptions or Withdrawals | Ending Balance |
|---|---|---|---|---|---|---|---|---|---|
| **Dealer: Academy Securities** | | | | | | | | | |
| **U.S. Treasury Notes/ Bonds** | | | | | | | | | |
| 91282CDB4 | 22530 | U.S.Trust | | | 0.625 | 10/15/2024 | 0.00 | 20,000,000.00 | |
| 91282CHN4 | 22551 | U.S.Trust | | | 4.750 | 12/05/2024 | 25,000,000.00 | 0.00 | |
| 91282CAM3 | 22556 | U.S.Trust | | | 0.250 | 12/19/2024 | 25,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **244,000,000.00** | | | **50,000,000.00** | **20,000,000.00** | **274,000,000.00** |
| **Federal Agency Issues - Coupon** | | | | | | | | | |
| 3136GA3Z0 | 22553 | Federal National Mort. Assoc. | | | 4.500 | 12/19/2024 | 25,000,000.00 | 0.00 | |
| 3136GA4A4 | 22554 | Federal National Mort. Assoc. | | | 4.490 | 12/20/2024 | 25,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **0.00** | | | **50,000,000.00** | **0.00** | **50,000,000.00** |
| **Medium Term Notes** | | | | | | | | | |
| | **Subtotal and Balance** | | | **110,000,000.00** | | | | | **110,000,000.00** |
| **Supranationals** | | | | | | | | | |
| | **Subtotal and Balance** | | | **20,000,000.00** | | | | | **20,000,000.00** |
| | **Dealer Subtotal** | | **28.455%** | **374,000,000.00** | | | **100,000,000.00** | **20,000,000.00** | **454,000,000.00** |
| **Dealer: Bank of the West** | | | | | | | | | |
| **Money Market Mutual Funds 02** | | | | | | | | | |
| 070731229 | 1229 | Bank of Montreal | | | 3.790 | | 107,959.01 | 107,959.01 | |
| | **Subtotal and Balance** | | | **10,000,000.00** | | | **107,959.01** | **107,959.01** | **10,000,000.00** |
| | **Dealer Subtotal** | | **0.627%** | **10,000,000.00** | | | **107,959.01** | **107,959.01** | **10,000,000.00** |
| **Dealer: CAMP** | | | | | | | | | |
| **Money Market Mutual Funds 02** | | | | | | | | | |
| SYS011119 | 22302 | CAMP | | | 4.730 | | 467,558,343.37 | 349,558,343.37 | |
| | **Subtotal and Balance** | | | **98,000,000.00** | | | **467,558,343.37** | **349,558,343.37** | **216,000,000.00** |

**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 Subtotal** | **13.538%** | **98,000,000.00** | | | **467,558,343.37** | **349,558,343.37** | **216,000,000.00** |
| **Dealer: Cantor, Fitzgeral L.P.** | | | | | | | | | |
| **Medium Term Notes** | | | | | | | | | |
| | | **Subtotal and Balance** | | **25,000,000.00** | | | | | **25,000,000.00** |
| | | **Dealer Subtotal** | **1.567%** | **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** | **2.194%** | **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** | **1.880%** | **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) | | | 4.430 | | 119.32 | 119.32 | |
| | | **Subtotal and Balance** | | **10,000.00** | | | **119.32** | **119.32** | **10,000.00** |
| | | **Dealer Subtotal** | **0.001%** | **10,000.00** | | | **119.32** | **119.32** | **10,000.00** |
| **Dealer: Piper Jaffray & Co** | | | | | | | | | |

**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: Piper Jaffray & Co** | | | | | | | | | |
| **Municipal Bonds** | | | | | | | | | |
| | **Subtotal and Balance** | | | **1,215,000.00** | | | | | **1,215,000.00** |
| | **Dealer Subtotal** | | **0.076%** | **1,215,000.00** | | | **0.00** | **0.00** | **1,215,000.00** |
| **Dealer: Piper Sandler** | | | | | | | | | |
| **U.S. Treasury Notes/ Bonds** | | | | | | | | | |
| 912828K74 | 22550 | US Treasury N/B | | | 2.000 | 12/05/2024 | 25,000,000.00 | 0.00 | |
| 91282CFK2 | 22555 | U.S.Trust | | | 3.500 | 12/19/2024 | 30,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **40,000,000.00** | | | **55,000,000.00** | **0.00** | **95,000,000.00** |
| **Negotiable CDs** | | | | | | | | | |
| 89115DDP8 | 22547 | Toronto Dominion Bank NY | | | 4.560 | 11/07/2024 | 30,000,000.00 | 0.00 | |
| 89115DG34 | 22548 | Toronto Dominion | | | 4.570 | 12/04/2024 | 50,000,000.00 | 0.00 | |
| 05593DDR1 | 22552 | BNP Paribas NY Branch | | | 4.540 | 12/18/2024 | 45,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **50,000,000.00** | | | **125,000,000.00** | **0.00** | **175,000,000.00** |
| **Municipal Bonds** | | | | | | | | | |
| | **Subtotal and Balance** | | | **30,200,000.00** | | | | | **30,200,000.00** |
| | **Dealer Subtotal** | | **18.815%** | **120,200,000.00** | | | **180,000,000.00** | **0.00** | **300,200,000.00** |
| **Dealer: Prebon** | | | | | | | | | |
| **Negotiable CDs** | | | | | | | | | |
| 89115BQV5 | 22520 | Toronto Dominion Bank | | | 5.250 | 10/02/2024 | 0.00 | 50,000,000.00 | |
| | **Subtotal and Balance** | | | **105,000,000.00** | | | **0.00** | **50,000,000.00** | **55,000,000.00** |
| | **Dealer Subtotal** | | **3.447%** | **105,000,000.00** | | | **0.00** | **50,000,000.00** | **55,000,000.00** |
| **Dealer: Royal Bank Canada Capital Mrkt** | | | | | | | | | |
| **U.S. Treasury Notes/ Bonds** | | | | | | | | | |
| | **Subtotal and Balance** | | | **65,000,000.00** | | | | | **65,000,000.00** |

**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: Royal Bank Canada Capital Mrkt** | | | | | | | | | |
| **Federal Agency Issues - Coupon** | | | | | | | | | |
| | **Subtotal and Balance** | | | **20,000,000.00** | | | | | **20,000,000.00** |
| **Supranationals** | | | | | | | | | |
| | **Subtotal and Balance** | | | **33,000,000.00** | | | | | **33,000,000.00** |
| | **Dealer Subtotal** | | **7.396%** | **118,000,000.00** | | | **0.00** | **0.00** | **118,000,000.00** |
| **Dealer: Raymond James Financial Inc** | | | | | | | | | |
| **Federal Agency Issues - Coupon** | | | | | | | | | |
| 3130B4CW9 | 22557 | Federal Home Loan Bank | | | 4.380 | 12/27/2024 | 25,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **0.00** | | | **25,000,000.00** | **0.00** | **25,000,000.00** |
| **Medium Term Notes** | | | | | | | | | |
| | **Subtotal and Balance** | | | **44,705,000.00** | | | | | **44,705,000.00** |
| **Municipal Bonds** | | | | | | | | | |
| | **Subtotal and Balance** | | | **37,850,000.00** | | | | | **37,850,000.00** |
| **Supranationals** | | | | | | | | | |
| 45906M5W7 | 22546 | Int Bank of Recon & Developmen | | | 4.288 | 11/06/2024 | 25,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **25,000,000.00** | | | **25,000,000.00** | **0.00** | **50,000,000.00** |
| | **Dealer Subtotal** | | **9.875%** | **107,555,000.00** | | | **50,000,000.00** | **0.00** | **157,555,000.00** |
| **Dealer: Stifel Nicolaus & Co** | | | | | | | | | |
| **U.S. Treasury Notes/ Bonds** | | | | | | | | | |
| 91282CAL5 | 22545 | U.S.Trust | | | 0.375 | 10/30/2024 | 25,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **0.00** | | | **25,000,000.00** | **0.00** | **25,000,000.00** |
| **Federal Agency Issues - Coupon** | | | | | | | | | |
| 3130B3YL1 | 22549 | Federal Home Loan Bank | | | 4.400 | 12/05/2024 | 25,000,000.00 | 0.00 | |
| | **Subtotal and Balance** | | | **46,000,000.00** | | | **25,000,000.00** | **0.00** | **71,000,000.00** |

**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: Stifel Nicolaus & Co** | | | | | | | | | |
| **Medium Term Notes** | | | | | | | | | |
| 06055JDV8 | 22528 | Bank of America | | | 5.500 | 12/25/2024 | 0.00 | 10,000,000.00 | |
| | **Subtotal and Balance** | | | **57,544,000.00** | | | **0.00** | **10,000,000.00** | **47,544,000.00** |
| | **Dealer Subtotal** | | **8.997%** | **103,544,000.00** | | | **50,000,000.00** | **10,000,000.00** | **143,544,000.00** |
| **Dealer: US Bank MMMF** | | | | | | | | | |
| **Dividends** | | | | | | | | | |
| SYS22423 | 22423 | US Bank | | | 4.380 | | 3,128.33 | 3,128.33 | |
| | **Subtotal and Balance** | | | **0.00** | | | **3,128.33** | **3,128.33** | **0.00** |
| **Money Market Mutual Funds 02** | | | | | | | | | |
| 157 519 832 743 | 22283 | US Bank MMMF | | | 4.411 | | 60,586,007.31 | 60,586,007.31 | |
| | **Subtotal and Balance** | | | **50,000,000.00** | | | **60,586,007.31** | **60,586,007.31** | **50,000,000.00** |
| | **Dealer Subtotal** | | **3.134%** | **50,000,000.00** | | | **60,589,135.64** | **60,589,135.64** | **50,000,000.00** |
| | **Total** | | **100.000%** | **1,177,524,000.00** | | | **908,255,557.34** | **490,255,557.34** | **1,595,524,000.00** |

**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 December 31, 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
### October 1, 2024 - December 31, 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** | | | | | | | | | | |
| 9128283V0 | 22533 | TRC | 27,000,000.00 | 01/31/2025 | 2.500 | 113,722.83 | 0.00 | 168,750.00 | 0.00 | 282,472.83 |
| 912828ZT0 | 22540 | TRC | 35,000,000.00 | 05/31/2025 | 0.250 | 14,344.26 | 0.00 | 22,036.57 | 28,688.52 | 7,692.31 |
| 912828K74 | 22550 | TRC | 25,000,000.00 | 08/15/2025 | 2.000 | 0.00 | 0.00 | 36,684.79 | 0.00 | 36,684.79 |
| 91282CFE6 | 22502 | TRC | 20,000,000.00 | 08/15/2025 | 3.125 | 79,823.37 | 0.00 | 156,250.00 | 0.00 | 236,073.37 |
| 91282CCW9 | 22507 | TRC | 15,000,000.00 | 08/31/2026 | 0.750 | 9,633.98 | 0.00 | 28,591.16 | 0.00 | 38,225.14 |
| 91282CFB2 | 22514 | TRC | 20,000,000.00 | 07/31/2027 | 2.750 | 92,663.04 | 0.00 | 137,500.00 | 0.00 | 230,163.04 |
| 91282CFH9 | 22515 | TRC | 20,000,000.00 | 08/31/2027 | 3.125 | 53,522.10 | 0.00 | 158,839.78 | 0.00 | 212,361.88 |
| 91282CCH2 | 22516 | TRC | 20,000,000.00 | 06/30/2028 | 1.250 | 63,179.35 | 0.00 | 62,511.26 | 125,000.00 | 690.61 |
| 91282CJC6 | 22518 | TRC | 30,000,000.00 | 10/15/2026 | 4.625 | 640,676.23 | 0.00 | 350,395.20 | 693,750.00 | 297,321.43 |
| 91282CDF5 | 22522 | TRC | 20,000,000.00 | 10/31/2028 | 1.375 | 115,081.52 | 0.00 | 69,517.93 | 137,500.00 | 47,099.45 |
| 91282CJR3 | 22523 | TRC | 15,000,000.00 | 12/31/2028 | 3.750 | 142,153.53 | 0.00 | 140,650.34 | 281,250.00 | 1,553.87 |
| 91282CDB4 | 22530 | TRC | 0.00 | 10/15/2024 | 0.625 | 57,718.58 | 0.00 | 4,781.42 | 62,500.00 | 0.00 |
| 91282CDS7 | 22532 | TRC | 27,000,000.00 | 01/15/2025 | 1.125 | 64,381.79 | 0.00 | 75,937.50 | 0.00 | 140,319.29 |
| 91282CHL8 | 22537 | TRC | 50,000,000.00 | 06/30/2025 | 4.625 | 584,408.97 | 0.00 | 578,229.15 | 1,156,250.00 | 6,388.12 |
| 91282CEQ0 | 22541 | TRC | 50,000,000.00 | 05/15/2025 | 2.750 | 97,146.74 | 0.00 | 346,660.69 | 265,285.33 | 178,522.10 |
| 91282CAL5 | 22545 | TRC | 25,000,000.00 | 09/30/2027 | 0.375 | 0.00 | 0.00 | 16,225.96 | 0.00 | 16,225.96 |
| 91282CHN4 | 22551 | TRC | 25,000,000.00 | 07/31/2025 | 4.750 | 0.00 | 0.00 | 87,126.35 | 0.00 | 87,126.35 |
| 91282CFK2 | 22555 | TRC | 30,000,000.00 | 09/15/2025 | 3.500 | 0.00 | 0.00 | 37,707.18 | 0.00 | 37,707.18 |
| 91282CAM3 | 22556 | TRC | 25,000,000.00 | 09/30/2025 | 0.250 | 0.00 | 0.00 | 2,232.15 | 0.00 | 2,232.15 |
| | | **Subtotal** | **479,000,000.00** | | | **2,128,456.29** | **0.00** | **2,480,627.43** | **2,750,223.85** | **1,858,859.87** |
| **Federal Agency Issues - Coupon** | | | | | | | | | | |
| 3133EMNF5 | 22399 | FAC | 20,000,000.00 | 01/15/2025 | 0.375 | 15,833.33 | 0.00 | 18,750.00 | 0.00 | 34,583.33 |
| 3130APGN9 | 22427 | FAC | 15,000,000.00 | 10/28/2026 | 1.150 | 73,312.50 | 0.00 | 43,125.00 | 86,250.00 | 30,187.50 |
| 3130B3YL1 | 22549 | FAC | 25,000,000.00 | 12/03/2027 | 4.400 | 0.00 | 0.00 | 79,444.44 | 0.00 | 79,444.44 |
| 3130B4CW9 | 22557 | FAC | 25,000,000.00 | 09/25/2026 | 4.380 | 0.00 | 0.00 | 12,166.67 | 0.00 | 12,166.67 |
| 3137EAEX3 | 22398 | FAC | 15,000,000.00 | 09/23/2025 | 0.375 | 1,250.00 | 0.00 | 14,062.50 | 0.00 | 15,312.50 |
| 3134GXK94 | 22475 | FAC | 20,000,000.00 | 08/15/2025 | 4.050 | 103,500.00 | 0.00 | 202,500.00 | 0.00 | 306,000.00 |
| 3135GATN1 | 22535 | FAC | 4,000,000.00 | 06/04/2027 | 5.350 | 65,983.33 | 0.00 | 53,500.00 | 103,433.33 | 16,050.00 |
| 3135GATR2 | 22536 | FAC | 27,000,000.00 | 06/10/2027 | 5.260 | 437,895.00 | 0.00 | 355,050.00 | 710,100.00 | 82,845.00 |
| 3136GA3Z0 | 22553 | FAC | 25,000,000.00 | 05/19/2028 | 4.500 | 0.00 | 0.00 | 37,500.00 | 0.00 | 37,500.00 |
| 3136GA4A4 | 22554 | FAC | 25,000,000.00 | 07/20/2028 | 4.490 | 0.00 | 0.00 | 34,298.61 | 0.00 | 34,298.61 |
| | | **Subtotal** | **201,000,000.00** | | | **697,774.16** | **0.00** | **850,397.22** | **899,783.33** | **648,388.05** |

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

| CUSIP | Investment # | Security Type | Par Value | Maturity Date | Current Rate | * Beginning Accrued Interest | Adjusted Acc'd Int. at Purchase During Period | Interest Earned | Interest Received | * Ending Accrued Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| **Medium Term Notes** | | | | | | | | | | |
| 037833EB2 | 22493 | MTN | 10,000,000.00 | 02/08/2026 | 0.700 | 10,305.56 | 0.00 | 17,500.00 | 0.00 | 27,805.56 |
| 06048WT91 | 22457 | MTN | 10,000,000.00 | 03/10/2025 | 2.350 | 13,708.33 | 0.00 | 58,750.00 | 0.00 | 72,458.33 |
| 06055JDV8 | 22528 | MTN | 0.00 | 03/25/2027 | 5.500 | 9,166.67 | 0.00 | 128,333.33 | 137,500.00 | 0.00 |
| 06055JEC9 | 22529 | MTN | 10,000,000.00 | 04/19/2028 | 5.500 | 247,500.00 | 0.00 | 137,500.00 | 275,000.00 | 110,000.00 |
| 48130CBC8 | 22492 | MTN | 15,000,000.00 | 06/12/2026 | 5.250 | 238,437.50 | 0.00 | 196,875.00 | 393,750.00 | 41,562.50 |
| 48130CDD4 | 22509 | MTN | 15,000,000.00 | 11/15/2028 | 6.000 | 340,000.00 | 0.00 | 225,000.00 | 450,000.00 | 115,000.00 |
| 458140AS9 | 22499 | MTN | 10,000,000.00 | 07/29/2025 | 3.700 | 63,722.22 | 0.00 | 92,500.00 | 0.00 | 156,222.22 |
| 458140AU4 | 22538 | MTN | 25,000,000.00 | 05/19/2026 | 2.600 | 169,722.22 | 0.00 | 162,500.00 | 256,388.89 | 75,833.33 |
| 58933YAY1 | 22425 | MTN | 5,000,000.00 | 02/24/2026 | 0.750 | 3,854.17 | 0.00 | 9,375.00 | 0.00 | 13,229.17 |
| 594918BB9 | 22462 | MTN | 17,544,000.00 | 02/12/2025 | 2.700 | 64,474.20 | 0.00 | 118,422.00 | 0.00 | 182,896.20 |
| 89236THP3 | 22495 | MTN | 10,000,000.00 | 10/16/2025 | 0.800 | 36,666.67 | 0.00 | 20,000.00 | 40,000.00 | 16,666.67 |
| 89236TJT3 | 22498 | MTN | 10,000,000.00 | 01/13/2025 | 1.450 | 31,416.67 | 0.00 | 36,250.00 | 0.00 | 67,666.67 |
| 89236TKF1 | 22519 | MTN | 29,705,000.00 | 08/18/2025 | 3.650 | 129,505.55 | 0.00 | 271,058.12 | 0.00 | 400,563.67 |
| 89236TLQ6 | 22521 | MTN | 20,000,000.00 | 07/26/2028 | 5.000 | 180,555.56 | 0.00 | 250,000.00 | 0.00 | 430,555.56 |
| 89236TMH5 | 22539 | MTN | 25,000,000.00 | 07/24/2029 | 5.000 | 232,638.89 | 0.00 | 312,500.00 | 0.00 | 545,138.89 |
| 89236TMQ5 | 22544 | MTN | 25,000,000.00 | 09/28/2027 | 3.700 | 10,277.78 | 0.00 | 231,250.00 | 0.00 | 241,527.78 |
| | | **Subtotal** | **237,249,000.00** | | | **1,781,951.99** | **0.00** | **2,267,813.45** | **1,552,638.89** | **2,497,126.55** |
| **Negotiable CDs** | | | | | | | | | | |
| 05593DBW2 | 22542 | NCB | 50,000,000.00 | 05/06/2025 | 4.650 | 161,458.33 | 0.00 | 594,166.67 | 0.00 | 755,625.00 |
| 05593DDR1 | 22552 | NCB | 45,000,000.00 | 10/15/2025 | 4.540 | 0.00 | 0.00 | 79,450.00 | 0.00 | 79,450.00 |
| 85325VNQ9 | 22543 | NCB | 25,000,000.00 | 07/24/2025 | 4.180 | 14,513.89 | 0.00 | 267,055.55 | 0.00 | 281,569.44 |
| 85325VMV9 | 22534 | NCB | 30,000,000.00 | 02/28/2025 | 5.440 | 525,866.67 | 0.00 | 408,000.00 | 0.00 | 933,866.67 |
| 89115BQV5 | 22520 | NCB | 0.00 | 10/02/2024 | 5.250 | 1,983,333.33 | 0.00 | 7,291.67 | 1,990,625.00 | 0.00 |
| 89115DDP8 | 22547 | NCB | 30,000,000.00 | 07/07/2025 | 4.560 | 0.00 | 0.00 | 209,000.00 | 0.00 | 209,000.00 |
| 89115DG34 | 22548 | NCB | 50,000,000.00 | 07/16/2025 | 4.570 | 0.00 | 0.00 | 177,722.22 | 0.00 | 177,722.22 |
| | | **Subtotal** | **230,000,000.00** | | | **2,685,172.22** | **0.00** | **1,742,686.11** | **1,990,625.00** | **2,437,233.33** |
| **Municipal Bonds** | | | | | | | | | | |
| 127109QB5 | 22477 | MUN | 1,215,000.00 | 08/01/2025 | 2.194 | 4,442.85 | 0.00 | 6,664.28 | 0.00 | 11,107.13 |
| 13063DGB8 | 22480 | MUN | 15,200,000.00 | 04/01/2025 | 3.375 | 256,500.00 | 0.00 | 128,250.00 | 256,500.00 | 128,250.00 |
| 13063DC48 | 22504 | MUN | 15,000,000.00 | 02/01/2028 | 1.700 | 42,500.00 | 0.00 | 63,750.00 | 0.00 | 106,250.00 |
| 419792YR1 | 22421 | MUN | 10,000,000.00 | 08/01/2026 | 0.893 | 14,883.33 | 0.00 | 22,325.00 | 0.00 | 37,208.33 |
| 54438CYL0 | 22439 | MUN | 5,000,000.00 | 08/01/2026 | 1.174 | 9,783.33 | 0.00 | 14,675.00 | 0.00 | 24,458.33 |
| 79770GJB3 | 22445 | MUN | 4,250,000.00 | 08/01/2025 | 1.561 | 11,057.08 | 0.00 | 16,585.63 | 0.00 | 27,642.71 |
| 91412GU94 | 22410 | MUN | 8,600,000.00 | 07/01/2025 | 3.063 | 65,854.50 | 0.00 | 65,854.50 | 0.00 | 131,709.00 |
| 91412HGF4 | 22489 | MUN | 3,000,000.00 | 05/15/2027 | 1.316 | 14,914.67 | 0.00 | 9,870.00 | 19,740.00 | 5,044.67 |
| 91412HGF4 | 22490 | MUN | 7,000,000.00 | 05/15/2027 | 1.316 | 34,800.89 | 0.00 | 23,030.00 | 46,060.00 | 11,770.89 |

* Beginning Accrued may not include investments that redeemed in the previous month that had outstanding accrued interest.

| CUSIP | Investment # | Security Type | Par Value | Maturity Date | Current Rate | * Beginning Accrued Interest | Adjusted Acc'd Int. at Purchase During Period | Interest Earned | Interest Received | * Ending Accrued Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Subtotal** | **69,265,000.00** | | | **454,736.65** | **0.00** | **351,004.41** | **322,300.00** | **483,441.06** |
| **Local Agency Investment Fund (LAIF)** | | | | | | | | | | |
| SYS6501 | 6501 | LA1 | 10,000.00 | | 4.430 | 119.32 | 0.00 | 115.03 | 119.32 | 115.03 |
| | | **Subtotal** | **10,000.00** | | | **119.32** | **0.00** | **115.03** | **119.32** | **115.03** |
| **Dividends** | | | | | | | | | | |
| SYS22423 | 22423 | PA4 | 0.00 | | 4.380 | 512.01 | 0.00 | 4,861.84 | 3,128.33 | 2,245.52 |
| | | **Subtotal** | **0.00** | | | **512.01** | **0.00** | **4,861.84** | **3,128.33** | **2,245.52** |
| **Supranationals** | | | | | | | | | | |
| 459058JL8 | 22404 | MC6 | 18,000,000.00 | 10/28/2025 | 0.500 | 38,250.00 | 0.00 | 22,500.00 | 45,000.00 | 15,750.00 |
| 459058JB0 | 22420 | MC6 | 15,000,000.00 | 04/22/2025 | 0.625 | 40,956.25 | 0.00 | 23,437.50 | 46,950.00 | 17,443.75 |
| 45906M4W8 | 22525 | MC6 | 20,000,000.00 | 02/16/2029 | 4.600 | 191,600.00 | 0.00 | 230,000.00 | 0.00 | 421,600.00 |
| 45906M5F4 | 22531 | MC6 | 25,000,000.00 | 03/27/2029 | 4.824 | 13,400.00 | 0.00 | 301,500.00 | 0.00 | 314,900.00 |
| 45906M5W7 | 22546 | MC6 | 25,000,000.00 | 10/30/2029 | 4.288 | 0.00 | 0.00 | 163,777.78 | 0.00 | 163,777.78 |
| | | **Subtotal** | **103,000,000.00** | | | **284,206.25** | **0.00** | **741,215.28** | **91,950.00** | **933,471.53** |
| **Money Market Mutual Funds 02** | | | | | | | | | | |
| 070731229 | 1229 | RRP | 10,000,000.00 | | 3.790 | 37,644.30 | 0.00 | 103,993.95 | 107,959.01 | 33,679.24 |
| SYS011119 | 22302 | RRP | 216,000,000.00 | | 4.730 | 566,931.62 | 0.00 | 2,204,267.90 | 1,736,595.71 | 1,034,603.81 |
| 157 519 832 743 | 22283 | RRP | 50,000,000.00 | | 4.411 | 203,391.27 | 0.00 | 651,646.46 | 586,007.31 | 269,030.42 |
| | | **Subtotal** | **276,000,000.00** | | | **807,967.19** | **0.00** | **2,959,908.31** | **2,430,562.03** | **1,337,313.47** |
| | | **Total** | **1,595,524,000.00** | | | **8,840,896.08** | **0.00** | **11,398,629.08** | **10,041,330.75** | **10,198,194.41** |

* 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.