NEW ISSUE—FULL BOOK-ENTRY

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

$15,000,000
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2024 General Obligation Bonds, Series A
(Measure H)

$15,000,000
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2024 General Obligation Bonds, Series A-1
(Measure I)

Dated: Date of Delivery

Due: August 1, as shown on the insider cover pages

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2024 General Obligation Bonds, Series A (Measure H) (the "Measure H Bonds") were authorized at an election of the registered voters of the South Monterey County Joint Union High School District (the "District") held on November 5, 2024, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $35,000,000 principal amount of general obligation bonds of the District. The Measure H Bonds are being issued to finance the repair, upgrading, acquisition, construction, and equipping of District high school classrooms, sites, and facilities, and to pay the costs of issuing the Measure H Bonds.

The South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2024 General Obligation Bonds, Series A-1 (Measure I) (the "Measure I Bonds," and, together with the Measure H Bonds, the "Bonds"), were authorized at an election of the registered voters of the District held on November 5, 2024, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $35,000,000 principal amount of general obligation bonds of the District. The Measure I Bonds are being issued to finance the repair, upgrading, acquisition, construction, and equipping of District high school classrooms, sites, and facilities, and to pay the costs of issuing the Measure I Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of Monterey and San Benito Counties are empowered and obligated to annually levy *ad valorem* property taxes upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

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 interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2026. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association as Paying Agent (defined herein) to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds.

The scheduled payment of principal of and interest on the (i) Measure H Bonds maturing on August 1, 2036 through and including August 1, 2053 and (ii) Measure I Bonds maturing on August 1, 2036 through and including August 1, 2053 (collectively, the "Insured Bonds"), when due will be guaranteed under municipal bond insurance policies to be issued concurrently with the delivery of the Insured Bonds by Build America Mutual Assurance Company. See "BOND INSURANCE" herein and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto. The scheduled payment of principal of and interest on the (i) Measure H Bonds maturing on August 1, 2026 and August 1, 2027 and (ii) Measure I Bonds maturing on August 1, 2026 and August 1, 2027 are not insured.

The Bonds are subject to optional and mandatory redemption as further described herein.

Maturity Schedule
(See inside front cover pages)

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about August 20, 2025.

PIPER | SANDLER

The date of this Official Statement is August 5, 2025.

MATURITY SCHEDULE

$15,000,000
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2024 General Obligation Bonds, Series A
(Measure H)

Base CUSIP[(1)]: 83887T

$6,360,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix
2026[(2)]	$825,000	5.000%	2.240%	DD9
2027[(2)]	900,000	5.000	2.240	DE7
2036	250,000	5.000	3.510[(3)]	DF4
2037	290,000	5.000	3.700[(3)]	DG2
2038	330,000	5.000	3.880[(3)]	DH0
2039	375,000	5.000	3.990[(3)]	DJ6
2040	425,000	5.000	4.100[(3)]	DK3
2041	475,000	5.000	4.280[(3)]	DL1
2042	530,000	5.000	4.400[(3)]	DM9
2043	590,000	5.000	4.510[(3)]	DN7
2044	650,000	5.000	4.590[(3)]	DP2
2045	720,000	5.000	4.640[(3)]	DQ0

$4,725,000 – 4.750% Term Bonds due August 1, 2050; Yield: 4.880%; CUSIP[(1)] Suffix: DR8

$3,915,000 – 4.750% Term Bonds due August 1, 2053; Yield: 4.910%; CUSIP[(1)] Suffix: DS6

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(2) Uninsured.

(3) Yield to call at par on August 1, 2035.

MATURITY SCHEDULE

$15,000,000
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2024 General Obligation Bonds, Series A-1
(Measure I)

Base CUSIP[(1)]: 83887T

$6,360,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix
2026[(2)]	$825,000	5.000%	2.240%	DT4
2027[(2)]	900,000	5.000	2.240	DU1
2036	250,000	5.000	3.510[(3)]	DV9
2037	290,000	5.000	3.700[(3)]	DW7
2038	330,000	5.000	3.880[(3)]	DX5
2039	375,000	5.000	3.990[(3)]	DY3
2040	425,000	5.000	4.100[(3)]	DZ0
2041	475,000	5.000	4.280[(3)]	EA4
2042	530,000	5.000	4.400[(3)]	EB2
2043	590,000	5.000	4.510[(3)]	EC0
2044	650,000	5.000	4.590[(3)]	ED8
2045	720,000	5.000	4.640[(3)]	EE6

$4,725,000 – 4.750% Term Bonds due August 1, 2050; Yield: 4.880%; CUSIP[(1)] Suffix: EF3

$3,915,000 – 4.750% Term Bonds due August 1, 2053; Yield: 4.910%; CUSIP[(1)] Suffix: EG1

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(2) Uninsured.

(3) Yield to call at par on August 1, 2035.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District 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 given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of such municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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 in this Official Statement, 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 Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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."

The District maintains a website and certain social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" herein and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

BOARD OF EDUCATION

David Gaboni, *President*
Leslie Girard, *Clerk*
Linda Benway, *Member*
Paul Dake, *Member*
Mindy Hunt, *Member*

DISTRICT ADMINISTRATION

Caroline Cota, Ed.D., *Superintendent*
Roseanna Guerrero, *Assistant Superintendent of Business Services*

Duane Wolgamott, *County Trustee*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
San Francisco, California

Municipal Advisor

Keygent LLC
El Segundo, California

Paying Agent

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

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$15,000,000
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2024 General Obligation Bonds, Series A
(Measure H)

$15,000,000
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2024 General Obligation Bonds, Series A-1
(Measure I)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover pages and appendices hereto, provides information in connection with the sale of the (i) South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2024 General Obligation Bonds, Series A (Measure H) (the "Measure H Bonds"), and (ii) South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2024 General Obligation Bonds, Series A-1 (Measure I) (the "Measure I Bonds," and, together with the Measure H Bonds, the "Bonds").

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

Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement, the Counties have released the assessed valuation for the District (as defined herein). Accordingly, certain information under "INTRODUCTION – The District," "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuation of the District," "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations," and "SOUTH MONTERY COUNTY JOINT UNION HIGH SCHOOL DISTRICT – Introduction" have been revised. Additionally, certain information under the heading "SOUTH MONTEREY JOINT UNION HIGH SCHOOL DISTRICT – District Retirement Systems" has been revised to include reported investment returns for fiscal year 2024-25 for STRS (as defined herein) and PERS (as defined herein). Lastly, the Treasurer (as defined herein) has released an updated investment report resulting in changes to "APPENDIX E – MONTEREY COUNTY TREASURY POOL" attached hereto.

The District

The South Monterey County Joint Union High School District (the "District"), previously known as the King City Joint Union High School District, is a high school district and consists of approximately 2,500 square miles in California's Salinas Valley. The majority of the District lies in Monterey County (the "County") and includes the cities of Greenfield and King City. The County is the 19th most populous county in the State of California (the "State"), with most of its population concentrated in the northern portion of the County, in and around the city of Salinas. A small portion of the District lies in San Benito County (together with the County, the "Counties"). The District currently operates two comprehensive high schools serving grades 9-12, one continuation high school, and an independent study high school. For fiscal year 2025-26, enrollment in the District is budgeted to be 2,639 students and the District has budgeted an average daily attendance ("ADA") of 2,428. Taxable property within the District has a fiscal year 2025-26 assessed valuation of $5,583,214,982.

Pursuant to Senate Bill 130, in July 2009, the State Superintendent of Public Instruction (the "State Superintendent") intervened in the District's administration and assumed all rights, duties and powers of the District Board of Education (the "Board"). The State Superintendent, in consultation with the Monterey County Office of Education Superintendent, appointed a State Administrator to act on behalf of the State Superintendent. The State Superintendent subsequently appointed a State Trustee to act on behalf of the State Superintendent. Effective July 1, 2016, the State Superintendent restored to the Board all rights, duties, and powers, except for the powers held by the County Trustee appointed by the Monterey County Office of Education Superintendent (the "County Trustee"). The County Trustee is currently empowered to stay and rescind any decisions by the Board that have a fiscal impact. See "SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT – State Intervention" herein for more information.

The District is governed by a five-member Board, each member of which is elected at-large to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Caroline Cota is currently the Superintendent of the District.

See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for more information regarding the District generally. The District's audited financial statements for fiscal year ending June 30, 2024 are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

The Bonds are being issued by the District to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and other applicable law, and pursuant to resolutions adopted by the Board. See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books

of their respective nominees. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "THE BONDS – Book-Entry Only System" herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners," or "Holders" of the Bonds (other than under the captions "INTRODUCTION – Tax Matters" and "TAX MATTERS" herein and in APPENDIX A hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

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

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the initial date of delivery of the Bonds (the "Date of Delivery"), such interest to be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2026 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover pages hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent") to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Bond Insurance. The scheduled payment of principal of and interest on the (i) Measure H Bonds maturing on August 1, 2036 through and including August 1, 2053 (the "Measure H Insured Bonds") and (ii) Measure I Bonds maturing on August 1, 2036 through and including August 1, 2053 (the "Measure I Insured Bonds," and together with the Measure H Insured Bonds, the "Insured Bonds"), when due will be guaranteed under municipal bond insurance policies to be issued concurrently with the delivery of the Insured Bonds relating to each respective series of the Bonds by Build America Mutual Assurance Company. See "BOND INSURANCE" and "MISCELLANEOUS – Considerations Regarding Bond Insurance" herein and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto. The payment of principal of and interest on the (i) Measure H Bonds maturing on August 1, 2026 and August 1, 2027 and (ii) Measure I Bonds maturing on August 1, 2026 and August 1, 2027 are not insured.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX

MATTERS" herein with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about August 20, 2025.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, and certain other matters, see "TAX BASE FOR REPAYMENT OF BONDS," "DISTRICT FINANCIAL INFORMATION," "SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT," and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the registered Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of listed events is summarized under "LEGAL MATTERS – Continuing Disclosure" herein and APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth LLP, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El Segundo, California, is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth LLP and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the South Monterey County Joint Union High School District, 800 Broadway Street, King City, California 93930, telephone: (831) 385-0606. The District may impose a charge for copying, mailing and handling.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly 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 such documents, statutes and constitutional provisions.

Certain of the information set forth herein, other than that provided by the District, 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 referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms by the Resolutions (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act"), commencing with Section 53506 *et seq.*, as amended and

Article XIIIA of the State Constitution, and pursuant to resolutions relating to each series of Bonds adopted by the Board on June 18, 2025 (together, the "Resolutions").

Measure H Bonds. With respect to the Measure H Bonds, the District received authorization at an election held on November 5, 2024 by the requisite 55% or more of the votes cast by eligible voters within the District to issue $35,000,000 aggregate principal amount of general obligation bonds (the "Measure H Authorization"). The Measure H Bonds represent the first issuance of bonds under the Measure H Authorization, and following the issuance thereof, $20,000,000 of the Measure H Authorization will remain unissued.

Measure I Bonds. With respect to the Measure I Bonds, the District received authorization at an election held on November 5, 2024 by the requisite 55% or more of the votes cast by eligible voters within the District to issue $35,000,000 aggregate principal amount of general obligation bonds (the "Measure I Authorization"). The Measure I Bonds represent the first issuance of bonds under the Measure I Authorization, and following the issuance thereof, $20,000,000 of the Measure I Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (as defined herein) for each series of Bonds, which are required to be segregated and maintained by the County and which are designated for the payment of the each series of Bonds, and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in the Debt Service Funds to the payment of the respective series of Bonds to which such funds relate. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and although the County will maintain the Debt Service Funds, none of the Bonds are a debt of either of the Counties.

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

The rate of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds as described above 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 in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), the outbreak of disease, or the

complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, wildfire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution," and "TAX BASE FOR REPAYMENT OF BONDS," herein.

Statutory Lien

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

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

General Provisions

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. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing February 1, 2026. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2026, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover pages hereof.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as the of the close of business on the 15th day of the calendar month next preceding any Bond Payment Date (the "Record Date"). Such interest is to be paid by wire transfer on such Bond Payment Date to such registered Owner to the bank and account number on file with the Paying Agent as of the Record Date. The Paying Agent is authorized

to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Annual Debt Service

The following table summarizes the annual debt service requirements for the Bonds, assuming no optional redemptions are made:

	Measure H Bonds		Measure I Bonds		
Year Ending August 1	Annual Principal Payment	Annual Interest Payment[(1)]	Annual Principal Payment	Annual Interest Payment[(1)]	Total Annual Debt Service
2026	$825,000.00	$689,956.67	$825,000.00	$689,956.67	$3,029,913.34
2027	900,000.00	687,150.00	900,000.00	687,150.00	3,174,300.00
2028	--	642,150.00	--	642,150.00	1,284,300.00
2029	--	642,150.00	--	642,150.00	1,284,300.00
2030	--	642,150.00	--	642,150.00	1,284,300.00
2031	--	642,150.00	--	642,150.00	1,284,300.00
2032	--	642,150.00	--	642,150.00	1,284,300.00
2033	--	642,150.00	--	642,150.00	1,284,300.00
2034	--	642,150.00	--	642,150.00	1,284,300.00
2035	--	642,150.00	--	642,150.00	1,284,300.00
2036	250,000.00	642,150.00	250,000.00	642,150.00	1,784,300.00
2037	290,000.00	629,650.00	290,000.00	629,650.00	1,839,300.00
2038	330,000.00	615,150.00	330,000.00	615,150.00	1,890,300.00
2039	375,000.00	598,650.00	375,000.00	598,650.00	1,947,300.00
2040	425,000.00	579,900.00	425,000.00	579,900.00	2,009,800.00
2041	475,000.00	558,650.00	475,000.00	558,650.00	2,067,300.00
2042	530,000.00	534,900.00	530,000.00	534,900.00	2,129,800.00
2043	590,000.00	508,400.00	590,000.00	508,400.00	2,196,800.00
2044	650,000.00	478,900.00	650,000.00	478,900.00	2,257,800.00
2045	720,000.00	446,400.00	720,000.00	446,400.00	2,332,800.00
2046	790,000.00	410,400.00	790,000.00	410,400.00	2,400,800.00
2047	860,000.00	372,875.00	860,000.00	372,875.00	2,465,750.00
2048	940,000.00	332,025.00	940,000.00	332,025.00	2,544,050.00
2049	1,025,000.00	287,375.00	1,025,000.00	287,375.00	2,624,750.00
2050	1,110,000.00	238,687.50	1,110,000.00	238,687.50	2,697,375.00
2051	1,205,000.00	185,962.50	1,205,000.00	185,962.50	2,781,925.00
2052	1,305,000.00	128,725.00	1,305,000.00	128,725.00	2,867,450.00
2053	1,405,000.00	66,737.50	1,405,000.00	66,737.50	2,943,475.00
Total	$15,000,000.00	$14,129,844.17	$15,000,000.00	$14,129,844.17	$58,259,688.34

(1) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2026.

See "SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT – District Debt Structure" herein for a full debt service schedule of all the outstanding general obligation bonded debt of the District.

Application and Investment of Bond Proceeds

Building Funds. The proceeds of the sale from the sale of the Bonds, net of costs of issuance and any premium received by the District on the sale thereof, will be deposited into the building fund relating to each series of the Bonds held by the County (the "Series A Bonds Building Fund" and the "Series A-1 Bonds Building Fund," respectively, and, together, the "Building Funds"), and will be applied solely for the purposes for which such series of Bonds are being issued. Interest earnings in each Building Funds will be retained in such fund for each respective series of Bonds. Any excess proceeds of the Bonds not needed for authorized purposes for which the Bonds are being issued will be transferred to the applicable Debt Service Fund and applied to the payment of principal of and interest on the corresponding series of Bonds. The Counties will have no responsibility for assuring the proper use of the proceeds of the Bonds.

Debt Service Funds. The *ad valorem* property taxes levied by the Counties for the payment of the Bonds, when collected, will be held separate and apart by the County in the debt service funds relating to each series of Bonds created by the Resolutions (the "Series A Bonds Debt Service Fund" and the "Series A-1 Bonds Debt Service Fund," respectively, and, together, the "Debt Service Funds"), and used only for payment of principal of and interest on the respective series of Bonds to which such Debt Service Fund relates. Any premium or accrued interest received on the sale of each series of the Bonds will be deposited in the respective Debt Service Fund to which such fund relates. Any interest earnings on moneys held in each Debt Service Fund will be retained therein. If, after all of the respective series of Bonds to which such Debt Service Fund relates have been redeemed or paid and otherwise cancelled, there are moneys remaining in such Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Investment of Funds. Moneys in the Building Funds and in the Debt Service Funds may be invested in any one or more investments generally permitted to school districts under State laws or as permitted by the Resolutions. Moneys in the Building Funds and the Debt Service Funds are expected to be invested through the County's pooled investment fund. See "APPENDIX E – MONTEREY COUNTY INVESTMENT POOL" attached hereto.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2027 are not subject to optional redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2036 are subject to optional redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2035, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Measure H Bonds maturing on August 1, 2050, (the "2050 Measure H Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2046, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such 2050 Measure H Term Bonds to be so redeemed, the dates therefor, and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount**
2046	$790,000
2047	860,000
2048	940,000
2049	1,025,000
2050[(1)]	1,110,000

[(1)] Maturity.

The Measure H Bonds maturing on August 1, 2053 (the "2053 Measure H Term Bonds," and together with the 2050 Measure H Term Bonds, the "Measure H Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2051, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such 2053 Measure H Term Bonds to be so redeemed, the dates therefor, and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount**
2051	$1,205,000
2052	1,305,000
2053[(1)]	1,405,000

[(1)] Maturity.

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

The Measure I Bonds maturing on August 1, 2050, (the "2050 Measure I Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2046, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such 2050 Measure I Term Bonds to be so redeemed, the dates therefor, and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2046	$790,000
2047	860,000
2048	940,000
2049	1,025,000
2050[(1)]	1,110,000

[(1)] Maturity.

The Measure I Bonds maturing on August 1, 2053 (the "2053 Measure I Term Bonds," and together with the 2050 Measure I Term Bonds, the "Measure I Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2051, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such 2053 Measure I Term Bonds to be so redeemed, the dates therefor, and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2051	$1,205,000
2052	1,305,000
2053[(1)]	1,405,000

[(1)] Maturity.

In the event that a portion of the Measure I Term Bonds is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Measure I Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds of a series are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity of a series, the Paying Agent will select Bonds for redemption by lot. Redemption by lot will be in such manner as the Paying Agent will determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in a principal amount of $5,000, or any integral multiple thereof.

Notice of Redemption. When optional redemption is authorized or required pursuant to the Resolutions, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds (or portions thereof). Such Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be

made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) provide the Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"); or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

"Securities Depository" means The Depository Trust Company, 140 58th Street Brooklyn, New York 11220.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolutions will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number, if any, identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "—Defeasance" herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Effect of Notice of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "-Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If, on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, will be held by the Paying Agent (or an independent escrow agent selected by the District) in trust as described in "-Defeasance" herein so as to be available therefor on such redemption date, and if a Redemption Notice thereof will have been given as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent (or an independent escrow agent selected by the District) for the redemption of the Bonds shall be held in trust for the account of the Owners of the Bonds to be so redeemed.

All Bonds paid at maturity or redeemed prior to maturity as described above will be cancelled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District will be cancelled by the Paying Agent.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in "-Defeasance" herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by the Paying Agent (or an independent escrow agent selected by the District), on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and the Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates 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 Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with the Direct Participants, the "Participants"). DTC has an S&P (as defined herein) 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 set forth on such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each 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 purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will

not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolutions. 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners" "Bond Owners" or "Holders" of the Bonds (other than under the captions "TAX MATTERS" herein and "APPENDIX A" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolutions.

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

The principal of the Bonds and any premium and interest upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the registration books of the Paying Agent only upon presentation and surrender of such Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon such exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date, or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the applicable Debt Service Fund, if any, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash and amounts transferred from the applicable Debt Service Fund, if any, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations the payment of the principal of and interest on which is secured, guaranteed, or otherwise backed by, directly or indirectly, a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") or by Moody's Investors Service ("Moody's").

BOND INSURANCE

Bond Insurance Policies

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue Municipal Bond Insurance Policies for each respective series of the Insured Bonds (the "Policies"). The Policies guarantee the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policies included as Appendix F to this Official Statement.

The Policies are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policies), and BAM does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $482.1 million, $246.4 million and $235.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at https://bambonds.com/insights/#video. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at https://bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Insured Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Insured Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise.

ESTIMATED SOURCES AND USES OF FUNDS

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

	Measure H Bonds	Measure I Bonds	Total
Sources of Funds			
Principal Amount of Bonds	$15,000,000.00	$15,000,000.00	$30,000,000.00
Net Original Issue Premium	156,763.90	156,763.90	313,527.80
Total Sources	$15,156,763.90	$15,156,763.90	$30,313,527.80
Uses of Funds			
Building Funds	$14,776,810.60	$14,791,810.60	$29,568,621.20
Debt Service Funds	156,763.90	156,763.90	313,527.80
Underwriter's Discount	45,000.00	45,000.00	90,000.00
Costs of Issuance[(1)]	178,189.40	163,189.40	341,378.80
Total Uses	$15,156,763.90	$15,156,763.90	$30,313,527.80

[(1)] Reflects the costs of issuance of the Bonds, including, but not limited to, the demographics fees, printing costs, bond insurance premium, rating agency fees, legal fees, municipal advisory fees, and the costs and fees of the Paying Agent.

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

District property taxes are assessed and collected by the Counties at the same time and on the same rolls as county, city and special district property taxes. Assessed valuations are the same for District and county taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises certain property not attached to land such as personal property or business property. Boats and airplanes are examples of such property. A supplemental roll is developed when property changes hands or new construction is completed. The Counties levy and collect all property taxes for property falling within their respective taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the applicable treasurer-tax collector. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the

calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a minimum $15 redemption fee, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the treasurer-tax collector of the relevant county.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Secured Tax Levies and Delinquencies" herein.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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Assessed Valuations

The following table shows a 11-year history of assessed valuations in the District, each as of the date the equalized assessment roll is established in August of each year.

ASSESSED VALUATIONS
Fiscal Years 2015-16 through 2025-26
South Monterey County Joint Union High School District

Monterey County Portion

	Local Secured	Utility	Unsecured	Total	% Change
2015-16	$3,865,179,134	$957,746	$162,620,987	$4,028,757,867	--
2016-17	3,601,855,287	1,056,056	158,069,866	3,760,981,209	(6.65)%
2017-18	3,983,513,938	1,056,056	175,613,095	4,160,183,089	10.61
2018-19	4,277,112,378	1,068,757	198,941,465	4,477,122,600	7.62
2019-20	4,509,898,037	1,056,056	199,246,803	4,710,200,896	5.21
2020-21	4,742,148,016	736,841	204,511,422	4,947,396,279	5.04
2021-22	4,310,275,438	661,841	235,667,513	4,546,604,792	(8.10)
2022-23	4,954,829,704	661,841	289,588,076	5,245,079,621	15.36
2023-24	4,985,480,922	661,841	290,935,264	5,277,078,027	0.61
2024-25	4,911,506,109	661,841	306,304,385	5,218,472,335	(1.11)
2025-26	5,173,698,712	738,510	350,629,212	5,525,066,434	5.88

San Benito County Portion

	Local Secured	Utility	Unsecured	Total	% Change
2015-16	$45,696,432	--	$1,244,774	$46,941,206	--
2016-17	47,448,935	--	1,226,222	48,675,157	3.69%
2017-18	49,415,831	--	1,244,841	50,660,672	4.08
2018-19	50,538,645	--	1,110,675	51,449,320	1.56
2019-20	52,157,756	--	659,899	52,817,655	2.66
2020-21	55,507,221	--	97,760	55,604,981	5.28
2021-22	55,719,854	--	164,161	55,884,015	0.50
2022-23	57,442,089	--	63,755	57,505,844	2.90
2023-24	59,556,549	--	64,180	59,620,729	3.68
2024-25	59,092,402	--	64,602	59,157,004	(0.78)
2025-26	58,083,207	--	65,341	58,148,548	(1.70)

Total District

	Local Secured	Utility	Unsecured	Total	% Change
2015-16	$3,910,875,566	$957,746	$163,865,761	$4,075,699,073	--
2016-17	3,649,304,222	1,056,056	159,296,088	3,809,656,366	(6.53)%
2017-18	4,032,929,769	1,056,056	176,857,936	4,210,843,761	10.53
2018-19	4,327,451,023	1,068,757	200,052,140	4,528,571,920	7.55
2019-20	4,562,055,793	1,056,056	199,906,702	4,763,018,551	5.18
2020-21	4,797,655,237	736,841	204,609,182	5,003,001,260	5.04
2021-22	4,365,995,292	661,841	235,831,674	4,602,488,807	(8.01)
2022-23	5,012,271,793	661,841	289,561,831	5,302,585,465	15.21
2023-24	5,045,037,471	661,841	290,999,444	5,336,698,756	0.64
2024-25	4,970,598,511	661,841	306,368,987	5,277,629,339	(1.11)
2025-26	5,231,781,919	738,510	350,694,553	5,583,214,982	5.79

Source: California Municipal Statistics, Inc. for fiscal years 2015-16 through 2024-25 and the Auditor-Controller Offices of the respective Counties for fiscal year 2025-26 ; Percent change figures provided by the Municipal Advisor.

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.

Economic and other factors beyond the District's control, such as general market decline in real property values, the outbreak of disease, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, flood, fire, wildfire, climate change or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the Counties to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" and "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

Adverse Impacts of Tariffs. The current presidential administration has sought to alter the international trading landscape through the use of widespread tariffs. If tariffs are implemented, certain impacted countries that have been impacted by the tariffs may respond with reciprocal tariffs on imports of U.S.-made goods. The international escalation of tariffs may cause significant disruptions in local, State and national economies, including immediate material impacts to industries heavily integrated into international trade. No assurances can be made that the escalation of tariffs will not materially adversely impact the local, State or national economies or the assessed valuation of property within the District, including the assessed valuation of the top taxpayers in the District, or the ability of taxpayers within the District to pay property taxes.

Droughts; Floods. California has experienced cyclical severe drought conditions over the past several years. Most recently, in April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. These drought emergencies were eventually expanded to include all California counties by October of 2021. Among other actions, the Governor also issued Executive Order N0-27-22, which directed the State Water Control Board to issue drought declarations, including a recommendation to have urban water suppliers initiate water shortage contingency plans. Significant snowfall and precipitation in the State commencing in late 2022 and early 2023 generally eliminated most of the State's drought conditions. In addition, on March 24, 2023, the Governor rescinded most of his emergency drought declarations, including Executive Order N0-27-22. According to the U.S. Drought Monitor, as of July 22, 2025, 58.25% of the County and 86.40% of San Benito County is classified in the abnormally dry category and 0.15% of the County is classified in the moderate drought category. The District cannot predict if there will be future additional drought conditions and related water usage restrictions imposed in the future. The District can also make no representations regarding the extent to which significant snowfall and precipitation, or any future winter storm activity or related rainfall, mudslides or flooding conditions, may impact District facilities or the assessed value of taxable property within the District.

Seismic Events. The District is located in a seismically active region of the State. The San Andreas Fault, Reliz Canyon Fault and Riconada Fault are major faults located near the District. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Wildfire. In addition, major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020, summer of 2021, and winter of 2024. Portions of the District are located within a very high fire hazard severity zone within a State

Responsibility Area ("SRA") or within a Local Responsibility Area ("LRA"), as identified by the California Department of Forestry and Fire Protection (CAL FIRE). Mapping of these areas, referred to as Fire Hazard Severity Zones, is based on data and models of potential fuels over a 30-50 year time horizon and their associated expected fire behavior, and expected burn probabilities to quantify the likelihood and nature of vegetation fire exposure (including firebrands) to buildings. They do not take into account fuel reduction efforts. SRA designations undergo a 5-year review cycle, as well as annual updates for incorporations/annexations, error fixes, and ownership changes. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates. More information regarding Fire Hazard Severity Zones, including the most recent Fire Hazard Severity Zone Maps, can be found at the California Department of Forestry and Fire Protection website at https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones, though such website is not incorporated herein by reference.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. See also "—Drought; Floods" and "—Wildfires" above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Appeals and Adjustments of Assessed Valuations. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, an 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. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

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.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the applicable county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS

AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIIIA of the California Constitution" herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the applicable county assessor, will not significantly reduce the assessed valuation of property within the District.

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

Assessed Valuation by Jurisdiction. The following table shows a breakdown of the District's fiscal year 2024-25 assessed valuation by jurisdiction.

ASSESSED VALUATION BY JURISDICTION[(1)]
Fiscal Year 2024-25
South Monterey County Joint Union High School District

Jurisdiction:	**Assessed Valuation in District**	**% of District**	**Assessed Valuation of Jurisdiction**	**% of Jurisdiction in District**
City of Greenfield	$1,104,751,069	20.93%	$1,104,751,069	100.00%
City of Kings City	1,189,845,616	22.55	1,189,845,616	100.00
Unincorporated Monterey County	2,923,875,650	55.40	45,730,100,145	6.39
Unincorporated San Benito County	59,157,004	1.12	6,249,576,961	0.95
Total District	$5,277,629,339	100.00%		
Summary by County:				
Monterey County	$5,218,472,335	98.88%	$92,543,518,548	5.64%
San Benito County	59,157,004	1.12	13,319,787,511	0.44
Total District	$5,277,629,339	100.00%		

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuations and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2024-25.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2024-25
South Monterey County Joint Union High School District

Non-Residential:	2024-25 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$1,890,091,297	38.03%	3,991	29.24%
Commercial	337,514,852	6.79	354	2.59
Vacant Commercial	20,976,285	0.42	112	0.82
Industrial	211,108,458	4.25	76	0.56
Vacant Industrial	18,211,346	0.37	30	0.22
Oil & Gas	233,613,654	4.70	42	0.31
Government/Social/Institutional	3,852,302	0.08	429	3.14
Miscellaneous	31,989,043	0.64	362	2.65
Subtotal Non-Residential	$2,747,357,237	55.27%	5,396	39.54%
Residential:				
Single Family Residence	$1,902,687,949	38.28%	6,416	47.01%
Condominium	22,197,587	0.45	124	0.91
Mobile Home	6,238,402	0.13	304	2.23
Mobile Home Park	16,886,376	0.34	15	0.11
2-4 Residential Units	64,423,357	1.30	209	1.53
5+ Residential Units/Apartments	78,431,057	1.58	102	0.75
Vacant Residential	132,376,546	2.66	1,081	7.92
Subtotal Residential	$2,223,241,274	44.73%	8,251	60.46%
Total	$4,970,598,511	100.00%	13,647	100.00%

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

Oil and Gas Properties. Approximately 4.70% of the District's local secured assessed valuation in fiscal year 2024-25 is derived from oil and gas properties. The assessed valuations of oil and gas properties are subject to fluctuation from year to year, in part to reflect current market conditions. See also "—Principal Taxpayers" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Oil and Gas Producing Properties" herein. The District cannot make any representation regarding the future price of oil, or what impact potential future declines may have on the value of taxable property within the District, or to what extent such declines could cause disruptions to economic activity within the District.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2024-25 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2024-25
South Monterey County Joint Union High School District

	No. of Parcels	2024-25 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	6,145	$1,464,590,338	$238,339	$210,857

2024-25 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	135	2.104%	2.104%	$4,464,072	0.235%	0.235%
50,000 - 99,999	401	6.250	8.354	30,456,566	1.601	1.835
100,000 - 149,999	698	10.879	19.233	88,548,398	4.654	6.489
150,000 - 199,999	1,082	16.864	36.097	187,772,228	9.869	16.358
200,000 - 249,999	731	11.393	47.491	163,422,392	8.589	24.947
250,000 - 299,999	688	10.723	58.214	188,898,156	9.928	34.875
300,000 - 349,999	666	10.380	68.594	216,272,156	11.367	46.242
350,000 - 399,999	511	7.964	76.559	190,669,740	10.021	56.263
400,000 - 449,999	358	5.580	82.138	151,884,059	7.983	64.245
450,000 - 499,999	334	5.206	87.344	158,471,985	8.329	72.574
500,000 - 549,999	288	4.489	91.833	151,088,439	7.941	80.515
550,000 - 599,999	192	2.993	94.825	110,314,929	5.798	86.313
600,000 - 649,999	111	1.730	96.555	69,131,760	3.633	89.946
650,000 - 699,999	44	0.686	97.241	29,700,788	1.561	91.507
700,000 - 749,999	47	0.733	97.974	33,915,895	1.783	93.290
750,000 - 799,999	31	0.483	98.457	23,899,753	1.256	94.546
800,000 - 849,999	17	0.265	98.722	13,954,007	0.733	95.279
850,000 - 899,999	17	0.265	98.987	14,897,564	0.783	96.062
900,000 - 949,999	10	0.156	99.143	9,304,396	0.489	96.551
950,000 - 999,999	14	0.218	99.361	13,576,629	0.714	97.265
1,000,000 and greater	41	0.639	100.000	52,044,037	2.735	100.000
	6,416	100.000%		$1,902,687,949	100.000%	

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

Secured Tax Levies and Delinquencies

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the calendar year, and if unpaid, become delinquent after December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment plus a minimum $10 cost on the second installment, plus any additional amount determined by the treasurer-tax collector of the respective Counties. See "— *Ad Valorem* Property Taxation" herein.

Pursuant to Revenue and Taxation Code Section 4985.2, a county treasurer-tax collector may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

Property tax delinquencies may be impacted by economic and other factors beyond the District's or the Counties' 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. See "DISTRICT FINANCIAL INFORMATION –Considerations Regarding COVID-19" herein. San Benito County has approved the implementation of the Teeter Plan, as discussed below. See "—Alternative Method of Tax Apportionment – "Teeter Plan"" herein. However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the Counties to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

The following table shows secured property tax levies within the District, and amounts delinquent as of June 30, for fiscal years 2014-15 through 2023-24.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2014-15 through 2023-24
South Monterey County Joint Union High School District

Fiscal Year	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
2014-15	$5,120,222.00	$53,010.42	1.04%
2015-16	5,269,170.00	47,920.89	0.91
2016-17	4,644,422.00	43,326.77	0.93
2017-18	5,227,513.00	45,715.91	0.87
2018-19	5,725,635.00	76,151.59	1.33
2019-20	5,955,724.00	86,294.76	1.45
2020-21	6,725,874.00	75,174.48	1.12
2021-22	5,311,719.00	61,976.26	1.17
2022-23	6,357,497.00	80,723.95	1.27
2023-24	6,242,081.00	82,051.49	1.31

Fiscal Year	Secured Tax Charge[(2)]	Amount Delinquent June 30	% Delinquent June 30
2014-15	$1,719,685.00	$13,993.34	0.81%
2015-16	1,503,805.00	27,119.63	1.80
2016-17	1,512,167.00	30,109.21	1.99
2017-18	1,597,877.00	28,396.76	1.78
2018-19	1,628,176.00	39,409.82	2.42
2019-20	1,554,284.00	55,851.08	3.59
2020-21	1,483,844.00	61,364.78	4.14
2021-22	999,941.00	71,316.31	7.13
2022-23	1,693,492.00	107,696.09	6.36
2023-24	1,388,459.00	71,807.51	5.17

(1) 1% General Fund apportionment.
(2) Debt service levy only.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – "Teeter Plan"

Monterey County. **The County has <u>not</u> adopted the Teeter Plan (as defined below), and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District.** The District's receipt of property taxes from the portion of the District located within the County is therefore subject to delinquencies.

The District is a member of the Monterey County Educational Delinquent Tax Finance Authority ("MCEDTFA"). MCEDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Government Code Section 6516.6. The District anticipates that MCEDTFA will from time to time purchase delinquent *ad valorem* tax receivables from the District at a purchase price equal to 110% of such receivable. See also "– *Ad Valorem* Property Taxation" herein.

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

The Teeter Plan for San Benito County is applicable to all secured property tax levies for which such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections. The secured *ad valorem* property tax to be levied to pay the interest on and principal of general obligation bonds of the District will be subject to the Teeter Plan of San Benito County. The District will receive 100% of the secured *ad valorem* property tax levied in San Benito County to pay such bonds irrespective of actual delinquencies in the collection of the tax by San Benito County.

The Teeter Plan of San Benito County is to remain in effect unless the Board of Supervisors of San Benito County orders its discontinuance or unless, prior to the commencement of any fiscal year of San Benito County (which commences on July 1), the Board of Supervisors of San Benito County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in San Benito County, in which event the Board of Supervisors of San Benito County is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of San Benito County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under its Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event the Board of Supervisors of San Benito County is to order discontinuance of its county's Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

There can be no assurance that San Benito County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. However, State law requires the Counties to levy *ad valorem* property taxes sufficient to pay the Bonds when due. The ability of San Benito County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies.

Tax Rates

Representative tax rate areas (each, a "TRA") located within the District are TRAs 2-000, 85-001, and 120-003. The tables below show the total *ad valorem* property tax rates levied as a percentage of assessed valuation by all taxing entities in these TRAs during the five-year period from fiscal years 2020-21 through 2024-25.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES
Fiscal Years 2020-21 through 2024-25
South Monterey County Joint Union High School District

TRAs 2-000[1] and TRAs 85-001[2]

	2020-21	2021-22	2022-23	2023-24	2024-25
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
South Monterey County Joint Union High School District	.031408	.023295	.034301	.027950	.029034
King City Union School District	.058519	.062080	.057947	.120628	.078277
Hartnell Community College District	.042886	.021686	.044324	.033134	.034184
Total Tax Rate	1.132813%	1.107061%	1.136572%	1.181712%	1.141495%

TRAs 120-003[3]

	2020-21	2021-22	2022-23	2023-24	2024-25
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
South Monterey County Joint Union High School District	.031408	.023295	.034301	.027950	.029034
Hartnell Community College District	.042886	.021686	.044324	.033134	.034184
San Ardo Union School District	.042089	.013641	.056825	.031113	.055035
Total Tax Rate	1.116383%	1.176622%	1.135450%	1.092197%	1.118253%

[1] The 2024-25 assessed valuation of TRA 2-000 is $406,481,590 which is 7.7% of the District's total assessed valuation.
[2] The 2024-25 assessed valuation of TRA 85-001 is $541,949,138 which is 10.27% of the District's total assessed valuation.
[3] The 2024-25 assessed valuation of TRA 120-003 is $182,571,415 which is 3.46% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

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Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2024-25 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

	Property Owner	Primary Land Use	2024-25 Assessed Valuation	% of Total[1]
1.	Chevron USA Inc.	Oil & Gas Production[2]	$157,384,632	3.17%
2.	Scheid Vineyards California Inc.	Agricultural	124,128,439	2.50
3.	Jerry J. Rava II	Agricultural	104,921,829	2.11
4.	Global AG Properties II USA LLC	Agricultural	92,759,143	1.87
5.	Salinas Land Co.	Agricultural	65,958,073	1.33
6.	Aera Energy LLC	Oil & Gas Production[2]	60,148,457	1.21
7.	Lone Oak Land Company LLC	Agricultural	50,821,767	1.02
8.	Sair Partnership 1 LLC	Agricultural	50,021,071	1.01
9.	Greenfield Prop Owner II LLC	Agricultural	49,910,099	1.00
10.	Terra Ventosa Vineyards LLC	Agricultural	47,862,088	0.96
11.	California Orchard Co.	Agricultural	40,324,897	0.81
12.	M & A Hitchcock Family LP	Agricultural	36,239,262	0.73
13.	Loma Del Rio Vineyards LLC	Agricultural	35,838,067	0.72
14.	Monterey Wine Company LLC	Winery	34,342,025	0.69
15.	San Bernabe Vineyards LLC	Agricultural	32,361,985	0.65
16.	John Hancock Life Insurance Company US	Agricultural	31,059,070	0.62
17.	Fairview Real Properties LLC	Agricultural	30,779,377	0.62
18.	Lohr Red & White 100 LP	Winery	30,516,214	0.61
19.	Singleton Properties LLC	Agricultural	29,864,435	0.60
20.	Silverado Los Alamos Vineyards LLC	Vineyards	28,754,488	0.58
			$1,133,995,418	22.81%

[1] The fiscal year 2024-25 local secured assessed valuation of the District is $4,970,598,511.

[2] Approximately 4.70% of the District's secured assessed valuation for fiscal year 2024-25 is derived from oil and gas properties. See also "—Assessed Valuation by Parcels and Land Use – Oil and Gas Properties," and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Oil and Gas Producing Properties" herein.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report relating to the District (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of June 1, 2025, for debt issued as of May 28, 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.

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
South Monterey County Joint Union High School District

2024-25 Assessed Valuation: $5,277,629,339

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 6/1/25**
Monterey County Water Resources Agency, Zone No. 2C	5.639%	$958,066
Hartnell Joint Community College District	13.668	31,894,155
South Monterey County Joint Union High School District	**100.000**	**37,480,000**(1)
Bradley Union School District	100.000	1,015,267
Greenfield Union School District	100.000	28,178,870
King City Union School District	100.000	15,097,399
San Antonio Union School District	100.000	2,045,000
San Ardo Union School District	100.000	2,245,000
San Lucas Union School District	100.000	2,000,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$120,913,757

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Monterey County General Fund Obligations	5.639%	$5,647,177
Monterey County Office of Education General Fund Obligations	5.639	2,047,013
San Benito County Certificates of Participation	0.444	70,374
South Monterey County Joint Union High School District General Fund Obligations	**100.000**	**5,285,000**
Greenfield Union School District Certificates of Participation	100.000	13,340,000
King City Union School District General Fund Obligations	100.000	1,350,000
City of Greenfield General Fund Obligations	100.000	170,606
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$27,910,170

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$10,825,000
COMBINED TOTAL DEBT	$159,648,927(2)

Ratios to 2024-25 Assessed Valuation:

Direct Debt ($37,480,000)	**0.71%**
Total Direct and Overlapping Tax and Assessment Debt	2.29%
Combined Direct Debt ($42,765,000)	**0.81%**
Combined Total Debt	3.03%

Ratio to Redevelopment Incremental Valuation ($828,295,999):

Total Overlapping Tax Increment Debt	1.31%

(1) Excludes the Bonds.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

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

requires the approval of two-thirds or more of all members of the State Legislature (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

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

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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

Proposition 19

On November 3, 2020, voters in the State approved Proposition 19, a legislatively referred constitutional amendment ("Proposition 19"), which amends Article XIIIA to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District.

Oil and Gas Producing Properties

On June 29, 1979, the State Board of Equalization adopted Rule 468 ("Rule 468") to establish valuation principles for oil and gas interests. The right to remove petroleum and natural gas from the earth is considered a taxable real property interest. Rule 468 provides that increases in recoverable amounts of such minerals caused by changed physical or economic conditions constitute additions to such a property interest and that a reduction in recoverable amounts of minerals caused by production or changes in the expectation of future production capabilities constitute a reduction in the interest.

Rule 468 provides that the unique nature of oil and gas mineral property interests requires the application of specialized appraisal techniques designed to satisfy the requirements of Article XIIIA. Rule 468 uses an appraisal unit valuation consisting of four components: (i) proved reserves, (ii) wells, casings and parts thereof, (iii) land (and other mineral interests), and (iv) improvements.

The market value of an oil and gas mineral property interest is determined by estimating the value of the volumes of proved reserves. Proved reserves are those which geological and engineering information indicate with reasonable certainty to be recoverable in the future, taking into account reasonably projected physical and economic conditions. Present and projected economic conditions are

determined by reference to all economic factors considered by knowledgeable and informed persons engaged in the operation and buying or selling of such properties, e.g. capitalization rates, product prices and operation expenses.

Rule 468 provides that the base year value of the property is estimated as of lien date 1975 or as of the date a change in ownership occurs subsequent to lien date 1975. Newly constructed improvements and additions in reserves are valued as of the lien date of the year for which the roll is being prepared. Improvements removed from the site are deducted from taxable value. The base year values are determined using factual market data such as prices and expenses ordinarily considered by knowledgeable and informed persons engaged in the operation, buying, and selling of oil, gas and other mineral-producing properties and the production therefrom. Once determined, a base year value may be increased no more than 2% per year. However, the base year reserve values must be adjusted annually for the value of depleted reserves caused by production or changes in the expectation of future production and additions to reserves established in a given year by discovery, construction or improvements, or changes in economic conditions.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor, (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships,

associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

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. As amended, Article XIIIB defines:

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

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

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

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State 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 State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State

general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget.

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

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

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

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

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

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

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by

reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, 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 Test 3 is used in any year, the difference between Test 3 and Test 2 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, State voters approved an amendment (commonly known as Proposition 39) to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional 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 State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1 percent of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. 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 projected to be 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, such as the District), or $25 (for a community college district) per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See "- Article XIIIA of the California Constitution" herein.

Jarvis vs. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay

of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

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

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

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but

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

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency,"

defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

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

The District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

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

The Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

2024 State School Facilities Bond

The Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair and Safety Bond Act of 2024 (referred to herein as the "2024 State School Facilities Bond" was a ballot measure that was approved by State voters on November 5, 2024. The 2024 State School Facilities Bond 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, community colleges and career technical education programs, including the development of health and safety conditions.

K-12 School Facilities. The 2024 State School Facilities Bond includes $3.3 billion for the new construction of K-12 facilities and an additional $4 billion for the modernization of existing K-12 facilities. Up to $10 million of the allocation for new constructions will be reserved for small 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 repairment 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.

Community College Facilities. The 2024 State School Facilities Bond includes $1.5 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

The table below shows the expected use of bond funds under the 2024 State School Facilities Bond:

2024 STATE SCHOOL FACILITIES BOND
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,300
Modernization	4,000
Career technical education facilities	600
Charter school facilities	600
Subtotal	$8,500
Community College Facilities	$1,500
Total	$10,000

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances and State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds are payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax which is required to be levied by the Counties in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

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

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), as amended by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91"), established the current system for funding school districts, charter schools and county offices of education.

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF occurred over a period of several fiscal years, concluding with the adoption of the State budget for fiscal year 2018-19. Beginning in fiscal year 2013-14, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school 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 Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" herein for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period.

The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13. The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include Transitional Kindergarten (TK) to all four-year olds. This plan is expected to phase in cohorts of TK students over a four-year period, concluding in fiscal year 2025-26. As a result, school districts that serve TK students will be eligible to receive an add-on equal to $2,813, multiplied by such district's second principal reporting period ADA for TK students for the current fiscal year. Beginning in fiscal year 2023-24, this add-on is subject to COLA adjustments to the same degree as LCFF Base Grants.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows the District's ADA, enrollment, and percentage of EL/LI student enrollment for fiscal years 2016-17 through 2024-25, and budgeted amounts for fiscal year 2025-26.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2016-17 through 2025-26
South Monterey County Joint Union High School District

Fiscal Year	Total ADA[(1)]	Total Enrollment[(2)]	% of EL/LI Enrollment[(3)]
2016-17	2,147	2,259	76.30
2017-18	2,149	2,302	76.37
2018-19	2,214	2,311	78.29
2019-20	2,343	2,491	82.90
2020-21	2,356	2,569	83.26
2021-22	2,498	2,748	84.33
2022-23	2,531	2,762	84.78
2023-24	2,518	2,731	85.96
2024-25	2,443	2,666	85.90
2025-26[(4)]	2,428	2,639	85.62

Note: ADA figures are rounded to the nearest whole number.

(1) Except for fiscal year 2025-26, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Includes K-12, home and hospital, special education and community day school, but excludes charter school students and County-operated programs. An attendance month is equal to each four-week period of instruction beginning with the first day of school for any school district. Due to the outbreak of COVID-19, for the 2019-20 school year, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. See "- Considerations Regarding COVID-19" herein. For fiscal year 2020-21, the District's ADA is calculated pursuant to Senate Bill 820 ("SB 820"). The District applied for and was granted growth funding pursuant to Senate Bill 820, which provides that school districts are eligible for an apportionment calculation based on growth if the district's 2020-21 adopted budget, or its adopted 2019-20 second interim report shows growth in enrollment or ADA from its actual 2019-20 level to its projected 2020-21 level.

(2) Except for fiscal year 2025-26, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made by the California Department of Education.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) Budgeted.

Source: South Monterey County Joint Union High School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuation of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT was paid incrementally over the implementation period of the LCFF. The District did not qualify for the ERT add-on.

Prior to fiscal year 2022-23, the sum of a school district's adjusted Base, Supplemental and Concentration Grants was multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). The 2022-23 State budget amended the LCFF calculation to allow the sum of a school district's adjusted Base, Supplemental and Concentration Grants to be multiplied by such district's P-2 ADA for the current year, prior year or average of three prior years, whichever is greater. The funding amount generated by this calculation, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will

amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

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

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs covering a three-year period were required to be adopted beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts in meeting the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP or annual update thereto, and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

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

of Education has developed rubrics to assess school district performance and the need for support and intervention.

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

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several school district programs, including , including Title I, Part A, to improve local education agencies' basic programs and address the needs of students from low-income families. Title I is funded under Every Student Succeeds Act (ESSA). ESSA also provides funding for special education programs. Additional funds for special education are provided in Individuals with Disabilities Act (IDEA). Federal funding is also provided for specialized programs such as Innovative Strategies, and Vocational & Applied Technology. However, no representation can be made that the District will continue to receive or be eligible for federal funding of education programs, including as a result of current efforts and proposals to reduce the size of the federal workforce, eliminate government programs, and/or eliminate or merge governmental agencies. In addition, school districts may receive additional local revenues beyond local property tax collections, such as interest earnings, interagency services, parcel taxes, foundation revenues, developer fees, pass-through tax increment revenues, lease revenues, and other local sources.

Considerations Regarding COVID-19

General. An outbreak of disease or similar public health threat, such as the ongoing coronavirus ("COVID-19") pandemic, or fear of such an event, could have an adverse impact on the District's financial condition and operating results.

The spread of COVID-19 has had significant negative impacts throughout the world, including in the District. The World Health Organization declared the COVID-19 outbreak to be a pandemic in 2020, and states of emergency were also declared by the WHO, the State and the United States. The purpose behind these declarations was to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for the then-expected wider spread of the virus. All such states of emergency have since been lifted.

To date there have been millions of confirmed cases in the United States, and over one million deaths related to COVID-19. Although vaccines and vaccine boosters are currently widely available, no representation can be made as to whether the number of cases will continue to grow. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply

chain issues and significant increases in inflation as these restrictions and closures have been lifted. Stock markets in the U.S. and globally have been volatile, with significant declines during the pandemic attributed to coronavirus concerns.

Impact on the District. As a result of the outbreak of COVID-19, the District closed its schools for in-person learning for the remainder of the 2019-20 school year effective March 16, 2020 and began instruction through distance learning. The District opened the 2020-21 school year in an all distance learning environment, then phased its schools into a hybrid model and opened its elementary schools and middle schools for in-person instruction effective March 22, 2021. The District fully re-opened for in-person instruction in the fall of 2021, with no virtual option offered, following guidelines from the County and the State.

The District has received approximately $12 million of COVID-19-related relief funding, all of which has been spent. This funding includes: (i) $10.5 million from the Elementary and Secondary School Emergency Relief Fund (ESSER) and the Governor's Emergency Education Relief Fund (GEER) as a result of the CARES Act, the CRRSA and the American Rescue Plan, (ii) $40,835 of SB 117 funding, (iii) $499,562 of in-person instruction grants, and (iv) $990,301 of expanded learning opportunity grants.

State budgetary legislation also included provisions to mitigate ADA losses resulting from the pandemic. The fiscal year 2020-21 State budget included a temporary hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21 in which ADA for fiscal year 2020-21 was based on fiscal year 2019-20. While the fiscal year 2021-22 State budget did not extend the ADA hold harmless provision, in fiscal year 2021-22, school districts still retained the ability to receive their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year ADA. To support the fiscal stability of all local educational agencies, including those with declining student populations, the 2022-23 State budget amended the LCFF calculation to consider the greater of a school district's current year, prior year or average of three prior years' ADA. Also, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State budget enabled all classroom-based local educational agencies that could demonstrate they provided independent study offerings to students in fiscal year 2021-22 to be funded at the greater of their current year ADA or their current year enrollment, adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction if schools are required to close in the future, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, have had a material impact on the investments in the State pension trusts. Such investments could continue to be impacted by the lingering effects of the COVID-19 pandemic, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, and, in turn, result in material changes to the District's required contribution rates in future fiscal years. See "SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT – District Retirement Systems" herein.

Although the public health emergencies previously declared by state, federal and international entities have ended, the COVID-19 outbreak is ongoing, and, the duration and severity of the outbreak, the effectiveness of available vaccines in containing the spread or mutation of the virus, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its

impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (http://www.gov.ca.gov), California Department of Public Health (https://covid19.ca.gov/) and the County Health Department (https://www.countyofmonterey.gov/government/departments-a-h/health/diseases/2019-novel-coronavirus-covid-19). The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District and the Improvement District, or adversely impact enrollment or ADA within the District and, notwithstanding available state or federal assistance, materially adversely impact the financial condition or operations of the District. See also "TAX BASES FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Subsequent legislation has made certain amendments to the budgeting process, including Senate Bill 97, effective as of September 26, 2013 (requiring budgets to include sufficient funds to implement LCAPs), Senate Bill 858, effective as of June 20, 2014 (requiring ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, effective as of September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reporting. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or 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 subsequent two fiscal years. The District has not recently had an adopted budget disapproved by the county superintendent of schools.

Within the past five years, the District has submitted, and the County Superintendent of Schools has accepted, positive certifications on all of its interim financial reports.

Budgeting Trends. The table on the following page summarizes the District's adopted general fund budgets for fiscal years 2021-22 through 2025-26, audited actual results for fiscal years 2021-22 through 2023-24, and estimated ending results for fiscal year 2024-25.

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GENERAL FUND BUDGETING
Fiscal Years 2021-22 through 2025-26
South Monterey County Joint Union High School District

	2021-22[1]		2022-23[1]		2023-24[1]		2024-25		2025-26
REVENUES	**Budgeted**	**Ending**	**Budgeted**	**Ending**	**Budgeted**	**Ending**	**Budgeted[2]**	**Estimated[3]**	**Budgeted[3]**
LCFF Sources	$32,583,886	$35,365,349	$37,621,584	$40,723,134	$43,444,439	$43,093,224	$44,054,236	$43,998,851	$44,079,958
Federal Sources	1,608,416	5,395,437	2,015,460	3,238,224	2,157,399	2,510,411	1,614,097	2,251,859	1,752,803
Other State Sources	4,609,211	6,450,279	2,891,924	8,795,384	3,598,845	5,539,712	3,712,274	5,374,441	4,307,255
Other Local Sources	1,976,395	2,780,781	2,037,034	3,843,796	2,703,845	5,412,777	3,096,777	4,001,058	4,053,866
TOTAL REVENUES	40,777,908	49,991,846	44,566,002	56,600,538	51,904,528	56,556,124	52,477,385	55,626,209	54,193,883
EXPENDITURES									
Certificated Salaries	15,281,274	15,888,813	16,042,217	15,617,351	17,628,099	16,454,259	18,688,874	19,018,347	19,261,391
Classified Salaries	5,128,323	4,987,002	5,267,080	5,680,691	6,067,291	5,926,707	6,689,871	6,461,802	7,711,475
Employee Benefits	9,817,283	9,466,336	10,694,011	10,194,935	11,680,729	10,539,775	12,149,849	11,747,728	12,481,028
Books and Supplies	3,279,426	3,473,437	3,966,736	4,009,906	3,877,078	3,379,651	4,137,866	8,609,336	4,881,784
Services and Operating Expenditures	3,987,959	5,677,441	4,557,887	5,984,107	6,088,651	6,702,272	6,457,855	13,075,334	6,334,736
Capital Outlay	1,086,111	1,432,242	46,054	2,905,758	827,849	1,274,297	6,567,708	5,283,207	941,218
Transfers of Indirect Costs	(59,898)	(40,808)	(50,419)	(45,780)	(71,471)	(51,895)	(91,245)	(96,089)	(79,223)
Other Outgo	2,074,274	1,799,169	1,932,178	1,661,922	1,789,804	1,713,093	1,778,485	1,921,451	1,683,405
TOTAL EXPENDITURES	40,594,752	42,683,632	42,455,744	46,008,890	47,888,030	45,938,159	56,379,363	66,021,116	53,215,815
Excess (Deficiency) of Revenues Over (Under) Expenditures	183,156	7,308,214	2,110,258	10,591,648	4,016,498	10,617,965	(3,901,977)	(10,394,907)	978,067
OTHER FINANCING SOURCES (USES)									
Operating Transfers In	--	32,820	--	27,290	--	--	--	--	--
Operating Transfers Out[4]	--	(7,500,000)	(2,387,820)	(3,515,733)	--	(7,890,943)	--	--	--
Other Sources (Uses) – Net	--	--	--	--	--	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	--	(7,467,180)	(2,387,820)	(3,488,443)	--	(7,890,943)	--	--	--
NET CHANGE IN FUND BALANCES	183,156	(158,966)	(277,562)	7,103,205	4,016,498	2,727,022	(3,901,977)	(10,394,907)	978,067
Beginning Balance, July 1[3]	16,370,169	16,370,169	16,211,203	16,211,203	23,314,408	23,314,408	26,041,430[5]	26,041,430	15,646,523
Fund Balance, June 30	$16,553,325	$16,211,203	$15,933,641	$23,314,408	$27,330,906	$26,041,430	$22,139,551	$15,646,523	$16,624,590

(1) From the District's Comprehensive Audited Financial Statements for fiscal years 2021-22 through 2023-24, respectively. Includes restricted and unrestricted General Fund only; does not include the Special Reserve Fund for Other than Capital Outlay and Adult Education Fund, which the auditors have included in the general fund pursuant to GASB Statement No. 54. See "- Comparative Financial Statements" herein.

(2) From the District's second interim financial report for fiscal year 2024-25, presented to the Board on March 12, 2025. Numbers may not sum due to rounding.

(3) From the District's adopted budget for fiscal year 2025-26, approved by the Board on June 18, 2025. Numbers may not sum due to rounding.

(4) Primarily reflects transfers out to the special reserve fund for capital outlay projects.

(5) Revised to reflect actual beginning fund balance.

Source: South Monterey County Joint Union High School District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all State school districts. Revenue is recorded on an accrual basis except for district property taxes which are considered revenue in the year collections are made and therefore are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the fiscal year, are reflected as adjustments to fund balance.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the financial statements follows. The District's audited financial statements for the year ended June 30, 2024 are included for reference in APPENDIX B hereto. The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2019-20 to fiscal year 2023-24.

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AUDITED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE[1]
Fiscal Years 2019-20 through 2023-24
South Monterey County Joint Union High School District

	2019-20	2020-21	2021-22	2022-23	2023-24
REVENUES					
LCFF Sources	$29,814,396	$30,408,299	$35,365,349	$40,723,134	$43,093,224
Federal Sources	1,283,103	6,560,830	5,395,437	3,238,224	2,510,411
Other State Sources	2,504,970	5,019,316	6,490,714	9,694,600	4,973,099
Other Local Sources	2,421,504	2,403,691	2,153,286	3,525,240	6,611,397
Total Revenues	36,023,973	44,392,136	49,404,786	57,181,198	57,188,131
EXPENDITURES					
Current					
Instruction	16,844,654	20,277,017	22,120,002	21,243,312	22,230,671
Instruction-related Services:					
Instructional Supervision and Administration	1,905,671	2,094,233	2,878,799	4,077,475	3,404,952
Instructional Library, Media, and Technology	279,939	150,483	144,634	162,102	173,678
School Site Administration	1,477,703	1,554,528	1,881,829	2,050,866	2,061,365
Pupil services:					
Home-to-School Transportation	606,848	534,021	850,942	1,133,690	804,217
Food Services	128	46,315	2,776	120,202	126,741
All Other Pupil Services	2,604,354	2,150,596	2,927,093	3,725,803	4,067,376
General Administration:					
Centralized Data Processing	796,650	777,014	1,486,929	1,556,652	1,187,421
All Other General Administration	2,165,279	2,042,484	2,288,734	2,566,788	2,983,207
Plant Services	2,788,414	3,520,786	4,518,281	4,505,578	5,110,566
Facilities Acquisition and Maintenance	101,632	73,130	1,021,405	2,302,682	1,044,725
Ancillary Services	796,124	585,182	885,412	1,074,906	1,121,589
Community Services	700	--	--	900	75,000
Transfers to Other Agencies	835,107	599,817	556,522	423,525	473,144
Debt Service:					
Principal	695,000	735,000	770,000	810,000	850,000
Interest and other	552,881	550,809	487,647	443,397	404,949
Total Expenditures	32,451,084	35,691,415	42,821,005	46,197,878	46,119,601
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,572,889	8,700,721	6,583,781	10,983,320	11,068,530
OTHER FINANCING SOURCES (USES)					
Transfers In	--	--	32,820	27,290	--
Transfers Out[2]	--	--	(7,500,000)	(5,204,273)	(8,031,412)
Other Sources (Uses)	--	--	--	--	--
NET FINANCING SOURCES (USES)	--	--	(7,467,180)	(5,176,983)	(8,031,412)
NET CHANGE IN FUND BALANCE	3,572,889	8,700,721	(883,399)	5,806,337	3,037,118
Fund Balance – Beginning	10,405,562	13,978,451	22,679,172	21,795,773	27,602,110
Fund Balance – Ending	$13,978,451	$22,679,172	$21,795,773	$27,602,110	$30,639,228

[1] From the District's comprehensive audited financial statements for fiscal years 2019-20 through 2023-24, respectively. Reflects restricted and unrestricted General Fund, the Adult Education Fund, and the Special Reserve Fund for Oher than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

[2] Primarily reflects transfers out to the special reserve fund for capital outlay projects.

Source: South Monterey County Joint Union High School District.

State Budget Measures

The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest on the Bonds is payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the Counties on taxable property within the District in amounts sufficient for the payment thereof.*

2025-26 State Budget. On June 27, 2025, the Governor signed the State budget for fiscal year 2025-26 (the "2025-26 State Budget"). The following is drawn from the DOF summary of the 2025-26 State Budget.

The 2025-26 State Budget reports that, since the release of the Governor's proposed State budget, the imposition of federal policy changes significantly slowed economic growth within the State. Most notably, broad-based tariffs blunted economic growth and drove a downgrade of the economic forecasts built into the May revision to the proposed State budget. Additionally, the State experienced substantial cost and caseload growth in several core State programs, most notably within Medi-Cal, which combined to create a State general fund shortfall of $11.8 billion. The 2025-26 State Budget notes that the budget does not reflect the impact of substantial cuts in federal spending included in the federal omnibus tax and spending bill signed in early July. The State continues to monitor the impacts of the federal spending cuts and may need to make adjustments to the 2025-26 State Budget as a result. The 2025-26 State Budget solves the projected $11.8 billion deficit through significant reductions in ongoing programs and a mix of other broad-based measures, including:

- *Reductions* – $2.8 billion in total reductions in fiscal year 2025-26, which grows to $11.9 billion by fiscal year 2028-29 through (i) an enrollment freeze for full-scope Medi-Cal expansion for undocumented adults ages 19 and older , (ii) a reduction in Medi-Cal premiums for adults 19-59 with unsatisfactory immigration status, (iii) altering the Medi-Cal asset test limit, (iv) an elimination of dental benefits for adults age 19 or older with unsatisfactory immigration status, (v) a reduction in prospective payment system payments to federally qualified health centers and rural health clinics , (vi) eliminating specialty drug coverage for weight loss, (vii) a reduction in pharmacy drug rebates and (viii) requiring provider mandates for quality incentive payment program eligibility.

- *Revenues/Borrowing* – $7.8 billion in additional revenues and borrowings through (i) $1.3 billion of support from the managed care tax approved in November of 2024 (Proposition 35) in fiscal year 2025-26 for Medi-Cal rate increases, as well as $263.7 million of such support in fiscal year 2026-27, (ii) a loan of $4.4 billion across the three-year budget window, including $1 billion for fiscal year 2025-26 from the medical providers interim payment fund loan, (iii) a loan of $150 million in fiscal year 2025-26 from the unfair competition law fund loan (iv) a loan of $400 million in fiscal year 2025-26 from the labor and workforce development fund loan and (v) $1.5 billion in additional special fund and internal borrowing.

- *Fund Shifts* – $1.2 billion in total solutions for fiscal year 2025-26 primarily through shifting the costs for Cal Fire operations from the general fund to the greenhouse gas reduction fund. The 2025-26 State Budget estimates additional savings in shifting the

costs to the greenhouse gas reduction fund of $1.3 billion in fiscal year 2026-27 and $500 million in both fiscal years 2027-28 and 2028-29.

For fiscal year 2024-25, the 2025-26 State Budget projects total general fund revenues and transfers of $226.7 billion and authorizes expenditures of $233.6 billion. The State is projected to end fiscal year 2024-25 with total reserves of approximately $35.9 billion, including $18.3 billion in the BSA, $455 million in the PSSSA and $17.1 billion in traditional general fund reserves. The State budget for fiscal year 2024-25 authorized BSA withdrawals of $5.1 billion in fiscal year 2024-25 and $7.1 billion in fiscal year 2025-26. The 2025-26 State Budget maintains the scheduled $7.1 billion withdrawal for fiscal year 2025-26. For fiscal year 2025-26, the 2025-26 State Budget projects total general fund revenues and transfers of $215.7 billion and authorizes expenditures of $228.4 billion. The State is projected to end fiscal year 2025-26 with total reserves of approximately $15.7 billion, including $4.5 billion in the traditional general fund reserve and $11.2 billion in the BSA. The PSSSA and the Safety Net Reserve are projected to have zero balances in fiscal year 2025-26.

The 2025-26 State Budget sets total funding in fiscal year 2025-26 for all TK-12 education programs at $137.6 billion, including $80.5 billion from the State general fund and $57.1 billion from other sources. The minimum funding guarantee in fiscal year 2025-26 is set at $114.6 billion. The 2025-26 State Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2023-24 and 2024-25, setting them at $98.5 billion and $119.9 billion, respectively. The revised general fund estimates resulted in notable adjustments to the minimum funding guarantee with an increase of approximately $3.9 billion from the State budget for fiscal year 2024-25 over the three-year period.

For fiscal year 2024-25, the 2025-26 State Budget appropriates $118 billion, instead of the currently calculated level of $119.9 billion, in order to mitigate the risk of potentially appropriating more resources to the minimum funding guarantee than are available in the final calculation for fiscal year 2024-25. The minimum funding level for fiscal year 2024-25 will not be finalized until that fiscal year is certified, which is a process that will occur throughout 2026. The 2025-26 State Budget projects that Test 1 will be in effect for fiscal year 2025-26. To accommodate enrollment increases related to the continued implementation of Universal Transitional Kindergarten and property tax backfills related to the January 2025 fires in the County of Los Angeles, the 2025-26 State Budget rebenches the Test 1 percentage, from approximately 39.2% to 39.6%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee.

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

- *LCFF* – The 2025-26 State Budget includes an LCFF COLA of 2.3%. When combined with population growth adjustments, these result in an increase of roughly $2.1 billion in discretionary funds for local educational agencies, as compared to the level set in the prior State budget. As a result, the adjusted LCFF Base Grants for fiscal year 2025-26 are as follows: (i) $11,323 for grades TK-3, (ii) $10,411 for grades 4-6, (iii) $10,719 for grades 7 and 8, and (iv) $12,746 for grades 9-12. Additionally, the TK add on rate for fiscal year 2025-26 is $5,545. The 2025-26 State Budget authorizes a mandatory deposit of $455 million into the PSSSA in fiscal year 2024-25, of which the entirety is exhausted in fiscal year 2025-26, including $405.3 million to support LCFF costs.

- *Deferrals* – The 2025-26 State Budget reflects LCFF apportionment deferrals from 2024-25 to 2025-26 of approximately $246.6 million, and from 2025-26 to 2026-27 of approximately $1.9 billion.

- *Universal Transitional Kindergarten (TK)* – The 2025-26 State Budget provides $2.1 billion (inclusive of all prior years' investments) in ongoing Proposition 98 funding to support the full implementation of universal TK so that all children who turn 4 years old by September 1 of the school year can enroll in the 2025-26 school year. The 2025-26 State Budget also provides $1.2 billion ongoing Proposition 98 funding to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom. Additionally, the 2025-26 State Budget shifts $232.9 million of ongoing Proposition 98 funding for universal TK funding that was previously allocated to community college districts as a result of the Proposition 98 statutory split to the TK-12 side of the budget.

- *Before School, After School and Summer School* – $515.5 million in ongoing Proposition 98 funding for the Expanded Learning Opportunities Program, which seeks to implement before, after and summer school instruction and enrichment for students in grades TK-6, by increasing the number of local education agencies that offer universal access to students with an unduplicated count of 75 percent to an unduplicated count of 55 percent. The 2025-26 State Budget includes an additional $10.4 million to increase the minimum grant amounts from $50,000 to $100,000 per local educational agency.

- *Literacy Instruction* – $480 million in one-time Proposition 98 funding for the support of the English Language Arts/English Language Development framework, which includes investments such as literacy coaches, reading specialists, trainings for educators, administering screenings and providing materials. The 2025-26 State Budget also provides $10 million in one-time Proposition 98 funding for the statewide use of English language proficiency screeners to support multilingual learners in TK.

- *Teacher Preparation and Professional Development* – $300 million in one-time Proposition 98 funding to establish the Student Teacher Stipend Program, which will provide $10,000 grants to qualifying teacher candidates, $70 million in one-time Proposition 98 funding for high-quality teacher residency programs and $30 million in one-time Proposition 98 funding to extend the timeline of existing National Board Certification Incentive Program to support National Board Certified teachers to teach in high poverty schools.

- *State Preschool* – The 2025-26 State Budget provides $19.3 million Proposition 98 funding and $10.2 million non-Proposition 98 funding for the California State Preschool Program to augment provider rates, supporting the costs of care. The 2025-26 State Budget also provides authority to the Department of Education to take certain actions related to the California State Preschool program.

- *Learning Recovery Emergency Block Grant* – $378.6 million in one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.

- *Universal School Meals Support Grant* – $145 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure, training and procurement of sustainably grown food to support schools in providing more freshly prepared meals, $10 million in one-time Proposition 98 funding to recruit and retain school food service workers and $5 million in one-time Proposition 98 funding for a study of ultra-processed foods offered in California school meals.

- *Special Olympics* – $30 million in one-time general funds, available over three years, for the Special Olympics of Northern and Southern California.

- *Mathematics Professional Learning Partnership* – $30 million in one-time Proposition 98 funding for the Mathematics Professional Learning Partnership and for the Kern County Superintendent of Schools to support educator training an mathematics coaching in local educational agencies, including expanding upon collaboration with the Rural Math Collective and training mathematics coaches who can be deployed in schools with the highest need of support.

- *Summer Electronic Benefits Transfer (SUN Bucks)* – $21.9 million in additional ongoing Proposition 98 funding to support the SUN Bucks program, which provides nutrition funding to eligible students during the summer months, to provide a match to an equal amount of federal funds to support the program.

- *Children and Youth Behavioral Health Initiative Grants* – $20 million in one-time Proposition 98 funding to support the implementation of the Children and Youth Behavioral Health Initiative's all-payer fee schedule.

- *Secondary School Redesign Pilot Program* – $10 million in one-time Proposition 98 funding for the California Collaborative of Educational Excellence to administer a pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes, and to manage a network of grantees to support peer learning and documentation of practices.

- *TK Multilingual Learner Supplemental Funding* - $7.5 million in one-time Proposition 98 funding, available through fiscal year 2026-27, to mitigate reductions in potential LCFF apportionment to local educational agencies resulting from the exemption of TK students from the English language proficiency assessment.

For additional information regarding the 2025-26 State Budget, see the DOF website www.dof.ca.gov. However, the information presented on such website is not incorporated herein by any reference.

Future Actions and Events. The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

The information in this section concerning the operations of the District are 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 *property tax required to be levied by the Counties in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources for Payment" herein.*

Introduction

The District, previously known as the King City Joint Union High School District, is a high school district and consists of approximately 2,500 square miles in the State's Salinas Valley. The majority of the District lies in the County and includes the cities of Greenfield and King City. A small portion of the District is located in San Benito County. The County is the 19th most populous county in the State, with most of its population concentrated in the northern portion of the County, in and around the city of Salinas. The District currently operates two comprehensive high schools serving grades 9-12, one continuation high school, and an independent study high school. For fiscal year 2025-26, enrollment in the District is budgeted to be 2,639 students and the District has budgeted an ADA of 2,428. Taxable property within the District has a fiscal year 2025-26 assessed valuation of $5,583,214,982.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: South Monterey County Joint Union High School District, 800 Broadway Street, King City, California 93930, Attention: Chief Business Official. The District may impose a charge for copying, mailing and handling.

State Intervention

History. The District experienced multiple years of financial difficulties, leading to the need for State intervention. Pursuant to Senate Bill 130 ("SB 130") the State Superintendent assumed control of the District on July 23, 2009 in order to ensure the return to the District of fiscal solvency. The State Superintendent assumed all the rights, duties, and powers of the Board. During the time that the State Superintendent exercised such authority, the Board served as an advisory body, but exercised no duties or powers with respect to the management of the District. Pursuant to SB 130, training was required for Board members and staff with management and personnel policy-making and advisory responsibilities.

The State Superintendent, in consultation with the Monterey County Office of Education Superintendent, appointed a State Administrator to act on behalf of the State Superintendent in exercising the authority described in SB 130 until terminated by the State Superintendent. The State Administrator completed their work upon return of local governance on July 1, 2016 (see "– Return of Local Control" below) and the County Trustee was assigned to monitor and review the District's operations effective such date.

Pursuant to SB 130, the State also provided an emergency loan or line of credit to the District in an amount up to $13 million; the District had drawn the full amount within 10 months of the passage of SB 130. See "– District Debt Structure – Emergency State Loan and Lease Revenue Bonds" herein. The District does not expect to draw any additional emergency funds.

Additionally, pursuant SB 130, the Fiscal Crisis and Management Assistance Team ("FCMAT") conducted comprehensive assessments and completed improvement plans for specified key District service areas and annual reports on the District's progress in these areas from February 2010 through May 2015. Additional information regarding SB 130, the initial report and the progress reports is available from FCMAT's website at http://www.fcmat.org/. However, such information is not incorporated herein by any reference.

Return of Local Control. On June 8, 2016, the then-acting State Superintendent returned governing control authority over the District to the Board, effective July 1, 2016. At the regularly scheduled Board meeting on August 17, 2016, the Board approved the Notification of Return to Local Control. The State Superintendent restored to the Board all of its legal rights, duties, and powers, except for the powers held by the County Trustee. The County Trustee will continue to serve until 2029 or until the emergency loan is fully paid.

The County Trustee continues to be authorized to stay and rescind any decisions made by the Board that have a fiscal impact, although the County Trustee has not taken any such action within the prior two years. The County Trustee will continue to serve in this capacity until it is determined that the District has adequate fiscal systems and controls in place and that the District's future compliance with financial recovery plans is probable. Pursuant to Education Code Section 41320.1, the County Superintendent will maintain stay and rescind authority over actions that affect the financial condition of the District in the event that the County Trustee's period of service ends and the loan (described in "– District Debt Structure – Emergency State Loan and Lease Revenue Bonds" herein) is still outstanding.

Mr. Duane Wolgamott, County Trustee. Mr. Wolgamott was appointed County Trustee of the District effective March 1, 2020. Mr. Wolgamott is a retired Chief Business Official who worked as CBO for the District, Paso Robles Joint Unified School District, and Aromas San Juan Unified School District. He retired in March 2018 with 28 years of experience working in California school districts. Mr. Wolgamott received his Certificate in School Business Management from the University of Southern California. In addition to being the appointed County Trustee for the District, he has been consulting for several large and small Central California school districts as both an interim and a mentor/trainer for Chief Business Officials since November 2018.

Possible Reorganization of the District

Reorganization proceedings previously commenced within the Greenfield Union Elementary District (the "Greenfield Elementary District") on October 15, 2015, when a citizen's petition was filed by Greenfield Elementary District residents with the Monterey County Office of Education (the "Greenfield Petition"). The Greenfield Petition sought the unification of the Greenfield Elementary District with Greenfield High School, which is currently within the District.

The Monterey County Committee on School District Organization (the "MCCSDO") is responsible for countywide school district reorganization. The MCCSDO hosted public hearings and participated in a series of studies on the impacts and feasibility of the Greenfield Petition in fiscal years 2016-17 and 2017-18. On January 24, 2018, the District approved Resolution No. 11:17/18 formally responding to the Greenfield Petition in opposition of unification on the basis that the Greenfield Petition failed to (i) result in the equitable division of property and facilities, (ii) promote sound education performance and not disrupt educational programs and (iii) promote sound fiscal management and not cause a substantial negative effect on the fiscal status of the proposed district or any existing district. On March 21, 2018, MCCSDO concluded that the Greenfield Petition did not meet the criteria of (i) equitable division of assets and liabilities and (ii) financial stability. The Greenfield Petition subsequently went to the State Board of Education for review with MCCSDO's conclusions. The Greenfield Petition was not

considered by the State Board of Education at that time upon the recommendation of the Monterey County Office of Education to revisit the Greenfield Petition at a later date once the District's emergency loan approached closer to final repayment. See also "—State Intervention" herein.

In August 2024, the State Board of Education advised the County Superintendent of Schools that it would consider the Greenfield Petition at its November 2024 meeting. The State Board of Education agreed to postpone the hearing on the Greenfield Petition to July 2025 in order to allow MCCSDO to update its findings from 2018. The Monterey County Office of Education commissioned a feasibility study, dated April 22, 2025 (the "Feasibility Study"), of the unification into one or two unified school districts. The Feasibility Study analyzed two unification scenarios: (i) the Greenfield Petition and (ii) two unified school districts with one newly formed unified school district in the boundaries of the Greenfield Union Elementary School District and the another newly formed unified school district in the boundaries of the King City Union Elementary School District. The Feasibility Study concluded that the Greenfield Petition scenario would not substantially meet the State's criteria for unification due to the scenario failing to not cause significant disruptions to educational programs and not supporting sound financial stability. The Feasibility Study concluded that the two unified school districts scenario would significantly meet the State's unification criteria. Subsequent to the Feasibility Study, and under agreement of all affected districts, a joint letter was submitted to the State Board of Education requesting a postponement of the July 2025 hearing on the Greenfield Petition to potentially resolve the request at a local level.

The District can make no representations as to whether any such reorganization would meet all necessary legal requirements or receive all necessary approvals. The District can also make no representation as to when any such reorganization could become effective, or if it became effective, what the financial consequences might be. Additionally, in the event of a reorganization, the bonded indebtedness of the District, including the Bonds, could be subject to reallocation and the boundaries for which the *ad valorem* property taxes are levied may be altered. The District can make no representation relating to the impacts a reallocation of bonded indebtedness or altered boundaries of the *ad valorem* property tax levy would have on the market value of the Bonds. However, notwithstanding any possible changes resulting from a reorganization of the District, State law requires the Counties to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

Administration

The District is governed by a five-member 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
South Monterey County Joint Union High School District

Board Member	Office	Term Expires
David Gaboni	President	December 2028
Leslie Girard	Clerk	December 2026
Linda Benway	Member	December 2026
Paul Dake	Member	December 2026
Mindy Hunt	Member	December 2028

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Caroline Cota is currently the Superintendent of the District. Brief biographies of the Superintendent and Assistant Superintendent of Business Services follow on the following page:

Dr. Caroline Cota, Superintendent. Dr. Cota was appointed Superintendent of the District, effective April 1, 2023. Immediately prior thereto, Dr. Cota served as the Director of Human Resources at the Martinez Unified School District. Dr. Cota has over 27 years of experience in education, previously serving as a high school principal, high school assistant principal and a high school special education teacher and French teacher. Dr. Cota earned her bachelor's degree from the University of California, Los Angeles, her master's degree from National University and her doctorate degree in Educational Leadership from Azusa Pacific University.

Roseanna Guerrero, Assistant Superintendent of Business Services. Ms. Guerrero joined the District as Assistant Superintendent of Business Services in January 2025. Immediately prior thereto, Ms. Guerrero served in positions of Senior Accountant, Manager, and Director of Payroll and Retirement at the Monterey County Office of Education. Ms. Guerrero previously served as the Director of Fiscal Services at the Alisal Union School District. Ms. Guerrero earned her bachelor's degree in Business Administration from California State University, Monterey Bay and her masters of education degree in School Business Leadership from Wilkes University. She also holds a California Association of School Business Officials (CBO) Certification as a Chief Business Official (CBO).

Enrollment Trends

The approximate student-teacher ratio in the District is 35:1. The following table reflects the enrollment history for the District for fiscal years 2016-17 through 2025-26.

ENROLLMENT HISTORY
Fiscal Years 2016-17 through 2025-26
South Monterey County Joint Union High School District

Fiscal Year	Enrollment[(1)]	% Change
2016-17	2,259	--
2017-18	2,302	1.90%
2018-19	2,311	0.39
2019-20	2,491	7.79
2020-21	2,569	3.13
2021-22	2,748	6.97
2022-23	2,762	0.51
2023-24	2,731	(1.12)
2024-25	2,666	(2.38)
2025-26[(2)]	2,639	(1.01)

(1) Reflect CALPADS enrollment.
(2) Budgeted.
Source: South Monterey County Joint Union High School District.

Labor Relations

The District currently employs 119 full-time certificated employees and 103 classified employees, of which 65 are less than full-time. The District employs 37 management and administrative employees. District employees, except management and some part-time employees, are represented by two bargaining units as noted below.

BARGAINING UNITS
South Monterey County Joint Union High School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
South Monterey County Joint Union High School District Teachers Association	119	June 30, 2025[(1)]
California School Employees Association	103	June 30, 2025[(1)]

(1) Currently operating under the terms of the expired agreement.
Source: South Monterey County Joint Union High School District.

District Retirement Systems

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

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. Previously, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program increased significantly prior to the implementation of AB 1469 (defined below). In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS.

Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members ("PEPRA Members") hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees ("Classic Members") hired before the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate was 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2023, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2024, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2025, the contribution rate will be 10.250% for Classic Members and 10.205% for PEPRA Members.

Pursuant to AB 1469, K-14 school districts' contribution rate increased over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to

service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of $1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal year 2022-23, 19.1% in fiscal year 2023-24, 19.1% in fiscal year 2024-25 and will be 19.1% in fiscal year 2025-26.

The District's contributions to STRS were $2,100,406 in fiscal year 2020-21, $2,486,693 in fiscal year 2021-22, $2,852,525 in fiscal year 2022-23, $2,972,989 in fiscal year 2023-24 and $3,632,504 (estimated) in fiscal year 2024-25. The District has budgeted $3,678,925 for its contribution to STRS for fiscal year 2025-26.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2024-25 and 8.328% for fiscal year 2025-26. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the California Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2024 included 1,600 public agencies and 1,336 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become

fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Pursuant to SB 90, the State Legislature appropriated $904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 ("AB 84"). Under AB 84, $144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State's required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, $430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and $330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.91% for fiscal year 2021-22. The employer contribution rate was 25.37% in fiscal year 2022-23, 26.68% in fiscal year 2023-24, 27.05% in fiscal year 2024-25, and will be 26.81% in fiscal year 2025-26. Classic Members contribute at a rate established by statute, which is 7% in fiscal year 2023-24, 7% in fiscal year 2024-25 and 7% in fiscal year 2025-26, while PEPRA Members contribute at an actuarially determined rate, which was 8% in both fiscal years 2023-24 and 2024-25. For the Schools Pool Actuarial Valuation as of June 30, 2024 (the "2024 PERS Actuarial Valuation"), the total normal cost did not change by more than 1% relative to the basis currently in effect, therefore the PEPRA Member contribution rate will remain 8% in fiscal year 2025-26. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS $801,043 in fiscal year 2020-21, $1,081,614 in fiscal year 2021-22, $1,341,212 in fiscal year 2022-23, $1,494,075 in fiscal year 2023-24 and $1,747,917 (estimated) in fiscal year 2024-25. The District has budgeted $2,067,446 for its contribution to PERS for fiscal year 2025-26.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)[1]
Fiscal Years 2012-13 through 2023-24

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[2]	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2012-13	$222,281	$157,176	$74,374	$148,614	$73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,586
2023-24	380,507	321,910	85,532	291,838	88,669

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2012-13	$61,487	$49,482	$12,005	$56,250	$5,237
2013-14	65,600	56,838	8,761	--[4]	--[4]
2014-15	73,325	56,814	16,511	--[4]	--[4]
2015-16	77,544	55,785	21,759	--[4]	--[4]
2016-17	84,416	60,865	23,551	--[4]	--[4]
2017-18	92,071	64,846	27,225	--[4]	--[4]
2018-19[5]	99,528	68,177	31,351	--[4]	--[4]
2019-20[6]	104,062	71,400	32,662	--[4]	--[4]
2020-21	110,507	86,519	23,988	--[4]	--[4]
2021-22	116,982	79,386	37,596	--[4]	--[4]
2022-23	124,924	84,292	40,632	--[4]	--[4]
2023-24[7]	133,978	93,187	40,791	--[4]	--[4]

(1) Amounts may not add due to rounding.

(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

(3) Reflects actuarial value of assets.

(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

(5) For the fiscal year 2020-21 actuarially determined contribution, the additional $430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

(6) For the fiscal year 2021-22 actuarially required contribution, the impact of the additional $330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

(7) On April 14, 2025, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2025-26 and released certain actuarial information to be incorporated into the 2024 PERS Actuarial Valuation to be released in the latter half of 2025.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the "2017 Experience Analysis"), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2007, through June 30, 2022) (the "2024 Experience Analysis"), on January 10, 2024, the STRS Board adopted a new set of actuarial assumptions that will be first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2023. The payroll growth assumption was decreased to 3.25% from 3.50% due to the projected need for fewer teachers due to projected declining enrollment in the State over the next 20 years, while the following actuarial assumptions remained unchanged since the CalSTRS Experience Analysis (spanning July 1, 2015 through July 1, 2018) (the "2020 Experience Analysis"): long-term investment return (7.0%), (ii) price inflation (2.75%), and (iii) wage growth (3.50%). Certain demographic assumptions were also updated, including changing the assumed life expectancy of STRS retirees to more closely reflect recent trends. The 2024 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2024 (the "2024 STRS Actuarial Valuation") reports that, based on an actuarial value of assets, the unfunded actuarial obligation increased by approximately $2.1 billion since the 2023 STRS Actuarial Valuation and the funded ratio increased by 0.8% to 76.7% over such time period. This increase in unfunded actuarial obligation was primarily due to salary increases that exceeded those assumed in the valuation, which resulted in a larger-than expected increase in the actuarial obligation. The funded ratio continued to increase primarily due to the required contributions made by employers and the State in fiscal year 2023-24 to eliminate their share of the unfunded actuarial obligation by 2046. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the "Unallocated UAO"). There was a decrease in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from $356 million as of June 30, 2023 to $140 million as of June 30, 2024.

According to the 2024 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2043 of 100.7%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

On November 7, 2024, STRS released its 2024 Review of Funding Levels and Risks (the "STRS 2024 Review of Funding Levels and Risks"), which is based on the 2023 STRS Actuarial Valuation. The STRS 2024 Review of Funding Levels and Risks notes that funding projections have improved slightly since the completion of the June 30, 2023 actuarial valuation that was presented to the Board in

May 2024 in part due to the 8.4% investment return earned by STRS in fiscal year 2023-24 and an increase of 9,000 active members, which contributed to an 8% increase in the payroll of active members.

The key results and findings noted in the STRS 2024 Review of Funding Levels and Risks were that (i) current contribution rates for the State and employers are still projected to be sufficient to allow both the State and the employers to eliminate their share of the STRS unfunded actuarial obligation by 2046; contribution rate increases are not expected to be needed for fiscal year 2025-26, (ii) The State remains well ahead of schedule to eliminate its share of the STRS unfunded actuarial obligation (currently projected to be eliminated in 2027), (iii) the largest risk facing STRS' ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system's sensitivity to investment experience, (iv) the risk that a negative investment return might impact STRS ability to reach full funding is expected to increase once the State fully eliminates its share of STRS unfunded actuarial obligation because of a trigger that will require the State contribution rate to immediately drop to 2.017% potentially limiting STRS ability to react to changing conditions, because once this occurs, the STRS Board would only be able to raise the State contribution rate by 0.5% each year, taking 12 years to simply return to the State contribution rate in place in the prior fiscal year potentially resulting in a situation where the State can no longer eliminate its share of the unfunded liability by 2046, and (v) the ability of the funding plan to allow STRS to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term; uncertain investment markets and a potential decline in the number of teachers could put pressure on STRS ability to meet some of its long-term assumptions and impact its ability to reach full funding.

The STRS 2024 Review of Funding Levels and Risks notes highlighted risks associated with longevity, the size of active membership and investments. The STRS 2024 review of Funding Levels and Risks notes that, overall, STRS experienced greater mortality than projected under previous assumptions, but it remains uncertain whether the pandemic will continue to impact mortality in the long term. In January 2024 the STRS Board adopted new mortality assumptions that were slightly lower than the data indicated, essentially not fully reflecting the impact of the pandemic. In January of 2024, the STRS Board also adopted a change to the rate at which the payroll is assumed to increase, from 3.5% to 3.25%, which reflects STRS assumption that the population of active teachers will decline slowly over time (approximately 5% through 2046). The STRS 2024 Review of Funding Levels and Risks notes that if the active membership declines and the payroll fails to grow as assumed, STRS ability to make progress toward full funding could be at risk. Retirements from active teachers are expected to increase significantly over the next 10 years. Although an increase in retirements does not necessarily impact long term funding, if school districts do not replace teachers who retire in the future, that could result in a reduction in the overall number of teachers and impact STRS ability to reach full funding by 2046. With the anticipated decline in the number of children enrolled in K-12 public schools, the risk that the number of teachers may go down in the future is real and was one of the considerations when the STRS Board lowered the payroll growth assumption. California experienced a significant decline in enrollment in both K-12 public schools and community colleges starting in 2020-21. Total enrollment in K-12 public schools dropped by approximately 310,000, or a 5% reduction, between 2019-20 and 2022-23, while the number of students enrolled at community colleges dropped by 310,000, or a 20% reduction, before increasing by approximately 30,000 in the fall of 2022. In October 2023, the State updated its projection of K-12 enrollments, with the most recent projection anticipating a decline of approximately 11% over the next 10 years and 15% over the next 20 years. If the anticipated reduction in enrolment results in a need for fewer teachers in California, it would impact the number of active teachers who participate in the STRS Defined Benefit Program and ultimately the growth in payroll. One countervailing force that could potentially offset some of the factors listed above would be the reduction of class sizes. The STRS 2024 Review of Funding Levels and Risks notes that investment volatility and the risk that STRS may not be able to meet its assumed investment return over the long-term remains the greatest risk facing STRS today. The combination of a maturing system and the decreasing timeframe of the funding plan only

serves to increase this risk. STRS 2024 Review of Funding Levels and Risks notes that (i) when investment returns are below expectations, the unfunded actuarial obligation increases, requiring additional contributions to bridge the gap, however, the funding plan provides the board limited authority to increase contribution rates for both the State and employers; (ii) the State bears the greatest risk when it comes to investment volatility due to rules set in the funding plan that allocate the largest share of the assets to the state which results in its share of the unfunded actuarial obligation being the most sensitive to investment volatility; (iii) the STRS Board has authority to increase the State's contribution by a maximum of 0.5% of payroll each year with no limit on the maximum rate; however the State contribution rate will be reduced to 2.017% of payroll once the State has eliminated its share of the unfunded liability, and (iv) since the funding plan expires in 2046, after which the STRS Board's authority to adjust contribution rates terminates, the time period over which to fund an existing and new unfunded actuarial obligation is declining each year.

On July 30, 2025, STRS reported a net return on investments of 8.5% for fiscal year 2024-25, ending with the total fund value of $367.7 billion as of June 30, 2025. The 2024-25 return keeps STRS on track long term, as the 5-,10-, 20-, and 30-year returns, including the 9.4% 5-year return, all surpass the actuarial assumption of 7.0%, despite inflation, rising interest rates and geopolitical uncertainty. In its news release reporting the fiscal year 2024-25 investment return, STRS noted that it is ahead of schedule in reaching full funding by 2046.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points (revised to two percentage points in 2017). On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%. On April 15, 2024, the PERS Board removed the automatic mechanism to reduce the discount rate and added a provision to the Funding Risk Mitigation Policy to bring an agenda item to the PERS Board for discussion if a funding risk mitigation event occurs.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies included a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 17, 2021 (the "2021 Experience Study"), the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.30% per year, (ii) increasing the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 2.80%, (iii) increasing the payroll growth rate to 2.80%, and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions were incorporated into the actuarial valuation for fiscal year ending June 30, 2021 and first impacted contribution rates for school districts in fiscal year 2022-23. Based on the timing of the study, the member data used in the analysis, which runs through June 30, 2019, does not include the impacts of COVID-19. Preliminary analysis of the system experience since the beginning of the pandemic has shown demographic experience (e.g. retirements, deaths, etc.) did differ from the current actuarial assumptions in some areas, which will be more precisely quantified in future actuarial valuations.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund's investment portfolio for the next four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation took effect July 1, 2022 and impacted contribution rates for employers and PEPRA employees beginning in fiscal year 2022-23.

In November 2024, PERS released its 2024 Annual Review of Funding Levels and Risk (the "2024 PERS Funding Levels and Risk Report"), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The 2024 PERS Funding Levels and Risk Report notes that over the next several years there is the potential for various factors to either further increase required contributions or add additional financial strain on employers and their ability to make required contributions, including inflation and near-term economic turmoil. The 2024 PERS Funding Levels and Risk Report notes that over the last few years, price inflation has been significantly higher than the PERS long-term assumption of 2.3%,

which can affect liability measures and investment returns in several ways and which can be difficult to quantify. The most direct impact of high inflation is that retirees can receive higher than expected cost-of-living adjustments and active employees can receive higher than expected salary increases, which could increase actuarial losses in the future. The 2024 PERS Funding Levels and Risk report concludes that, as of June 30, 2023, the PERS Retirement System had experienced a couple of years of investment returns below the expected return of 6.8%, and actuarial losses primarily due to high inflation which resulted in unexpected cost of living adjustments for retires and higher than expected member pay increases, which resulted in increased employer contributions along with further increases forecasted for the near future. Despite the strong investment return for the fiscal year ending June 30, 2024, the 2024 PERS Funding Levels and Risk Report notes that employer contributions are currently at relatively high levels due to large amounts of unfunded accrued liability and uncertainty within the economy suggests possible economic turmoil in the near future. The 2024 PERS Funding Levels and Risk Report concludes that the ability of employers to continue making required contributions to the system is the area of greatest concern.

On April 14, 2025, the PERS Board established the employer contribution rates for fiscal year 2025-26 and released information from the 2024 PERS Actuarial Valuation, ahead of its release date in the latter half of 2025. From June 30, 2023 to June 30, 2024, the funded status of the Schools Pool increased by 2.1% (from 67.5% to 69.6%) and the unfunded accrued liability increased by approximately $0.2 billion. The chief drivers of improvement were incoming contributions and investment return greater than expected, which were partially offset by greater-than-expected salary increases. Based on the June 30, 2024 assets as described in PERS Annual Comprehensive Financial Report, the money weighted investment return for fiscal year 2023-24 was 9.5%, generating an actuarial investment gain of $2.2 billion, which will be amortized over 20 years with a five-year ramp, decreasing the employer contribution rate in fiscal year 2025-26 by 0.23% of pay. Due to the 5-year ramp, this impact will escalate each year until it reaches an estimated reduction of 1.05% of pay in fiscal year 2029-30. Non-investment experience during fiscal year 2023-24, which includes both demographic experience and economic experience other than from investments, produced an actuarial loss of $2.8 billion, which will be amortized over 20 years, increasing the employer contribution rate by 1.12% in fiscal year 2025-26. Combined with a 0.21% decrease of the employer normal cost rate, the net effect of non-investment experience is an increase of 0.91% in the employer rate. The most significant source of non-investment experience was salary increase for active members, which generated an actuarial experience loss. The average salary increase was 9.7% for members actively employed during the entire year ending June 30, 2024. Total payroll in fiscal year 2023-24 increased by 12.6% over the prior year, compared with 2.8% expected. This change, driven by a combination of active headcount growth and salary increases, served to reduce the employer contribution rate for fiscal year 2025-26 by 1.58% of pay as the dollar amount of the unfunded liability contribution is divided by a larger payroll number.

Assuming all actuarial assumptions are realized, including an assumed investment return of 6.80%, and no changes to assumptions, methods or benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from Classic Members to PEPRA Members, the projected contribution rate for fiscal year 2026-27 is 26.9%, 27.8% in fiscal year 2027-28, 27.4% in fiscal year 2028-29, 27.0% in fiscal year 2029-30, and 26.2% in fiscal year 2030-31. The actual investment return for fiscal year 2024-25 was not known at the time these projections were made. The projections above assume the investment return for that year will be 6.8%. If the actual investment return differs from 6.80%, the actual contribution requirements for the projected years will differ from those shown above.

On July 14, 2025, PERS reported a preliminary net return on investment of 11.6% for PERF for the 12-month period ending June 30, 2025, bringing the PERF total assets under management to approximately $556.2 billion. Preliminary total fund annualized returns for the five-year period ending

June 30, 2025, stood at 8%; the 10-year period at 7.1%; the 20-year period at 6.7%; and the 30-year period at 7.6%. The ending value of the PERF for fiscal year 2024-25 will be based on additional factors beyond investment returns, including employer and employee contributions, monthly payments to retirees, and various investment fees. PERS will review the portfolio's performance in the subsequent few months to determine the final fiscal year returns for 2024-25. Once finalized, the fiscal year-end market value of PERS' assets is used to set contribution rates for the State and school districts in the 2026-27 fiscal year.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability,

deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2024, the District's reported shares of the net pension liabilities for STRS and PERS were $17,760,763 and $11,038,076, respectively. For more information, see "— District Debt Structure – Long-Term Debt" herein and "APPENDIX B –AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2023-24 – Note 11" attached hereto.

Other Post-Employment Benefits

Plan Description. The District administers a single-employer defined benefit plan (the "Plan") that provides post-employment medical, dental, and vision insurance benefits (the "Benefits") to eligible retirees of the District and their beneficiaries. Certificated and classified employees hired after June 30, 1992 are eligible for the Benefits after reaching the age of 55, and with 15 or more years of service to the District. The District reimburses retirees for the premium cost of medical coverage (employee only) up to the active cap in place at retirement for 10 years but not beyond age 65. As of June 30, 2024, , 10 retirees met these eligibility requirements and were receiving the Benefits, and the Plan had 205 active Plan members.

Funding Policy. Expenditures for the Benefits are recognized on a pay-as-you-go basis to cover the cost of premiums for current retirees. For fiscal years 2020-21 through 2024-25, the District contributed $215,138, $146,354, $162,918, $119,002 and $214,847 (estimated) to the Plan, respectively. The District has budgeted $240,851 for such expenditures in fiscal year 2025-26.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post–employment benefits to plan members and trust assets are legally protected from creditors. GASB 74 and GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (the "NOL"), to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on Total OPEB Liability (the "TOL") plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the TOL, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (the "FNP") is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The FNP measures the value of trust assets, adjusted for payees and receivables.

GASB 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District's financial statements for fiscal year 2016-17. GASB 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18.

Actuarial Study. The District has implemented GASB 74 and GASB 75, pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB 74 and GASB 75 (discussed above) require biennial actuarial valuations for all plans. The most recent actuarial study, dated October 1, 2024, calculated the District's accrued liability in accordance with GASB 74 and GASB 75. The study concluded that, as of a June 30, 2024 valuation date and measurement date, the District's TOL was $6,178,088, its FNP was $0, and its NOL was $6,178,088.

Risk Management

The District is exposed to various risks of loss related to property, general liability, and employee benefits. These risks are addressed through a combination of commercial insurance, self-insurance and participation in certain public entity risk pools, as described below.

The District participates in joint powers agreements with the following entities (each a "JPA"): the Monterey County Schools' Insurance Group; the Monterey and San Benito Counties Liability/Property JPA; and the Monterey County Schools' Workers' Compensation JPA. The District pays annual premiums to each JPA for property and liability, health, and workers' compensation insurance coverage. Under the Monterey County Schools' Workers' Compensation JPA, each participant pays its workers' compensation premium based on its individual rate, a participant will then either receive money from or be required to contribute to the "equity pooling fund" which insures that each participant shares equally in the overall performance of the pool. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

There are a number of claims pending against the District. In the opinion of the District, the related liability, if any, stemming from these claims will not materially affect the financial condition of the District. Settled claims have not exceeded available insurance coverages in the past three fiscal years.

See also APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2023-24 – Note 13" attached hereto.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District carries cybersecurity insurance.

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

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt obligations.

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2024, is shown below:

CHANGES IN LONG-TERM DEBT
Fiscal Year 2023-24
South Monterey County Joint Union High School District

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
General obligation bonds	$38,160,000	--	$(480,000)	$37,680,000
Unamortized Premium	1,905,196	--	(73,277)	1,831,919
Total General Obligation Bonds	40,065,196	--	553,277	39,511,919
Lease Revenue Bonds	7,030,000	--	850,000	6,180,000
Compensated absences	114,739	30,282	--	145,021
Total OPEB Liability	5,605,255	571,833	--	6,178,088
Net Pension Liability	27,755,206	1,043,633	--	28,798,839
Total	$80,571,396	$1,645,748	$1,403,277	$80,813,867

Source: South Monterey County Joint Union High School District.

General Obligation Bonds. On November 6, 2018, the District received authorization at an election of the registered voters in the District, at which the requisite 55% or more of the voters voting on the measure approved the issuance of not-to-exceed $20,000,000 principal amount of general obligation bonds of the District (the "Measure Q Authorization"). On March 28, 2019, the District issued the first series of bonds under the Measure Q Authorization, the Measure Q Series A Bonds, in the aggregate principal amount of $12,000,000. On June 8, 2020, the District issued the second and final series of bonds under the Measure Q Authorization, the Measure Q Series B Bonds, in the aggregate principal amount of $8,000,000.

On November 6, 2018, the District received authorization at an election of the registered voters in the District, at which the requisite 55% or more of the voters voting on the measure approved the issuance of not-to-exceed $20,000,000 principal amount of general obligation bonds of the District (the "Measure R Authorization"). On March 28, 2019, the District issued the first series of bonds under the Measure R Authorization, the Measure R Series A Bonds, in the aggregate principal amount of $12,000,000. On June 8, 2020, the District issued the second and final series of bonds under the Measure R Authorization, the Measure R Series B-1 Bonds, in the aggregate principal amount of $8,000,000.

Pursuant to the Measure H Authorization, the voters have approved the issuance of $35,000,000 principal amount of general obligation bonds. The Measure H Bonds are the first issuance of general obligation bonds under the Measure H Authorization. Following the issuance of the Measure H Bonds, there will be $20,000,000 of remaining aggregate principal amount unissued under the Measure H Authorization.

Pursuant to the Measure I Authorization, the voters have approved the issuance of $35,000,000 principal amount of general obligation bonds. The Measure I Bonds are the first issuance of general obligation bonds under the Measure I Authorization. Following the issuance of the Measure I Bonds, there will be $20,000,000 of remaining aggregate principal amount unissued under the Measure I Authorization.

The table on the following page displays the annual debt service requirements of the District for all outstanding general obligation bonds, including the Bonds (and assuming no optional redemptions).

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ANNUAL DEBT SERVICE - GENERAL OBLIGATION BONDS
South Monterey County Joint Union High School District

	Measure Q Authorization		Measure R Authorization		Measure H Authorization	Measure I Authorization	
Year Ending (August 1)	Series A Bonds	Series B Bonds	Series A-1 Bonds	Series B-1 Bonds	The Measure H Bonds	The Measure I Bonds	Total Annual Debt Service
2026	$457,018.76	$355,506.26	$457,018.76	$355,506.26	$1,514,956.67	$1,514,956.67	$4,654,963.38
2027	457,018.76	374,706.26	457,018.76	374,706.26	1,587,150.00	1,587,150.00	4,837,750.04
2028	457,018.76	397,906.26	457,018.76	397,906.26	642,150.00	642,150.00	2,994,150.04
2029	602,018.76	324,906.26	602,018.76	324,906.26	642,150.00	642,150.00	3,138,150.04
2030	619,768.76	334,506.26	619,768.76	334,506.26	642,150.00	642,150.00	3,192,850.04
2031	641,268.76	343,506.26	641,268.76	343,506.26	642,150.00	642,150.00	3,253,850.04
2032	661,268.76	351,906.26	661,268.76	351,906.26	642,150.00	642,150.00	3,310,650.04
2033	684,768.76	359,706.26	684,768.76	359,706.26	642,150.00	642,150.00	3,373,250.04
2034	706,518.76	371,906.26	706,518.76	371,906.26	642,150.00	642,150.00	3,441,150.04
2035	731,518.76	383,306.26	731,518.76	383,306.26	642,150.00	642,150.00	3,513,950.04
2036	754,518.76	393,906.26	754,518.76	393,906.26	892,150.00	892,150.00	4,081,150.04
2037	777,643.76	403,706.26	777,643.76	403,706.26	919,650.00	919,650.00	4,202,000.04
2038	804,675.00	410,456.26	804,675.00	410,456.26	945,150.00	945,150.00	4,320,562.52
2039	829,887.50	426,756.26	829,887.50	426,756.26	973,650.00	973,650.00	4,460,587.52
2040	858,800.00	432,306.26	858,800.00	432,306.26	1,004,900.00	1,004,900.00	4,592,012.52
2041	887,200.00	447,406.26	887,200.00	447,406.26	1,033,650.00	1,033,650.00	4,736,512.52
2042	913,600.00	459,418.76	913,600.00	459,418.76	1,064,900.00	1,064,900.00	4,875,837.52
2043	943,000.00	470,981.26	943,000.00	470,981.26	1,098,400.00	1,098,400.00	5,024,762.52
2044	975,200.00	482,093.76	975,200.00	482,093.76	1,128,900.00	1,128,900.00	5,172,387.52
2045	1,005,000.00	497,756.26	1,005,000.00	497,756.26	1,166,400.00	1,166,400.00	5,338,312.52
2046	1,042,400.00	507,856.26	1,042,400.00	507,856.26	1,200,400.00	1,200,400.00	5,501,312.52
2047	1,067,000.00	526,931.26	1,067,000.00	526,931.26	1,232,875.00	1,232,875.00	5,653,612.52
2048	1,104,200.00	540,293.76	1,104,200.00	540,293.76	1,272,025.00	1,272,025.00	5,833,037.52
2049	1,128,400.00	563,062.50	1,128,400.00	563,062.50	1,312,375.00	1,312,375.00	6,007,675.00
2050	--	--	--	--	1,348,687.50	1,348,687.50	2,697,375.00
2051	--	--	--	--	1,390,962.50	1,390,962.50	2,781,925.00
2052	--	--	--	--	1,433,725.00	1,433,725.00	2,867,450.00
2053	--	--	--	--	1,471,737.50	1,471,737.50	2,943,475.00
Total	$19,109,712.62	$10,160,793.98	$19,109,712.62	$10,160,793.98	$29,129,844.17	$29,129,844.17	$116,800,701.54

Source: South Monterey County Joint Union High School District.

Emergency State Loan and Lease Revenue Bonds. On July 22, 2009, the District obtained an emergency state apportionment loan pursuant to SB 130. SB 130 authorized an initial $5 million apportionment from the State General Fund as an emergency loan as well as an additional $8 million of lease financing to augment the emergency loan, bringing the total loan to $13 million. On April 14, 2010, the California Infrastructure and Economic Development Bank issued $14,395,000 in lease revenue bonds (the "Lease Revenue Bonds") to (i) repay the $5 million emergency loan made from the State's General Fund, plus interest with respect thereto, and (ii) finance the $8 million augmentation loan. The lease payments with respect to the Lease Revenue Bonds will be made by an intercept of the apportionments due to the District by the State Controller's Office, and held by U.S. Bank National Association as the Trustee until the principal and interest payments on the Lease Revenue Bonds are due. These intercept apportionments are included in the District's budgets. See "—State Intervention" herein.

The debt service with respect to the outstanding Lease Revenue Bonds is as shown in the following table.

ANNUAL DEBT SERVICE – LEASE REVENUE BONDS
South Monterey County Joint Union High School District

Year Ending August 15,	Principal	Interest	Total
2025	$940,000.00	$303,887.50	$1,243,887.50
2026	995,000.00	249,837.50	1,244,837.50
2027	1,055,000.00	192,625.00	1,247,625.00
2028	1,115,000.00	131,962.50	1,246,962.50
2029[(1)]	1,180,000.00	67,850.00	1,247,850.00
Total	$5,285,000.00	$946,162.50	$6,231,162.50

[(1)] All or a portion of the final debt service payment is expected to be made from moneys on deposit in the reserve fund held by the Trustee for the Lease Revenue Bonds.
Source: South Monterey County Joint Union High School District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable

income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar Bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond

Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Copies of the proposed forms of opinions of Bond Counsel for the Bonds are attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General. State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Statutory Lien" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter

9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies. The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County Investment Pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and APPENDIX E – "Monterey County Investment Pool" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

Under provisions of the Financial Code, the Bonds are legal investments for commercial banks in the State 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 State Government Code, are eligible for security for deposits of public moneys in the State.

Expanded Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for

the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (each, an "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2024-25 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has not failed to file in a timely manner the annual reports and notices of listed events required in connection with its prior continuing disclosure undertakings.

Absence of Material Litigation

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

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. Copies of the proposed forms of such legal opinions for the Bonds are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Insured Bonds are expected to be assigned a rating of "AA" by S&P based upon the issuance of the Policies by BAM. The Bonds have also been assigned an underlying rating of "A+" with a stable outlook by S&P. The ratings reflect only the view of the rating agency, and any explanation of the significance of such ratings should be obtained from such rating agency.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency,

circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any rating changes on the Bonds on EMMA. See "- Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Considerations Regarding Bond Insurance

The scheduled payment of principal of and interest on the Insured Bonds when due will be guaranteed under the Policies to be issued concurrently with the delivery of the Insured Bonds by BAM. In the event of a default in the payment of principal of or interest on the Insured Bonds, when all or some becomes due, any Owner of such Insured Bonds may have a claim the Policies. The Policies do not insure against redemption premium, if any, with respect to the Insured Bonds.

In the event that BAM is unable to make payments of principal of or interest on the Insured Bonds, as such payments become due under the Policies, the Insured Bonds will be payable solely as otherwise described herein. In the event that BAM becomes obligated to make payments with respect to the Insured Bonds, no assurance can be given that such event would not adversely affect the market price of the Insured Bonds or the marketability or liquidity of the Insured Bonds.

Based on the issuance of the Policies, the long-term rating on the Insured Bonds will be dependent on the financial strength of BAM and its claims-paying ability. BAM's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM and of the rating on the Insured Bonds insured thereby will not be subject to downgrade, and such event could adversely affect the market price of the Insured Bonds, or the marketability or liquidity for such Insured Bonds.

None of the District, the Municipal Advisor or Underwriter have made independent investigations into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Counties to levy *ad valorem* property taxes to pay principal and interest on the Insured Bonds, and the claims paying ability of BAM, particularly over the life of the investment.

Financial Statements

The District's audited financial statements with required supplemental information for the year ended June 30, 2024, the independent auditor's report of the District, the related statements of activities and of cash flows for the year then ended, and the report dated December 2, 2024 of Christy White, Inc. (the "Auditor"), are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

Piper Sandler & Co. (the "Underwriter") has agreed to purchase all of the (i) Measure H Bonds for a purchase price of $15,111,763.90 (consisting of the principal amount of the Measure H Bonds of $15,000,000.00, plus net original issue premium of $156,763.90 and less an Underwriter's discount of $45,000.00), and (ii) Measure I Bonds for a purchase price of $15,111,763.90 (consisting of the principal amount of the Measure I Bonds of $15,000,000.00, plus net original issue premium of $156,763.90 and less an Underwriter's discount of $45,000.00).

The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover pages. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.

Piper Sandler & Co. has entered into a distribution agreement (the "Schwab Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase the Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

By: /s/ Dr. Caroline Cota
Superintendent

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL FOR THE BONDS

Upon issuance and delivery of the Measure H Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Measure H Bonds substantially in the following form:

August 20, 2025

Board of Education
South Monterey County Joint Union High School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $15,000,000 South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2024 General Obligation Bonds, Series A (Measure H) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, a greater than fifty-five percent vote of the qualified electors of the South Monterey County Joint Union High School District (the "District") voting at an election held on November 5, 2024, and a resolution (the "Resolution") adopted by the Board of Education of the District.

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income.

6. The amount by which a Bondowner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Measure I Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Measure I Bonds substantially in the following form:

August 20, 2025

Board of Education
South Monterey County Joint Union High School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $15,000,000 South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2024 General Obligation Bonds, Series A-1 (Measure I) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, a greater than fifty-five percent vote of the qualified electors of the South Monterey County Joint Union High School District (the "District") voting at an election held on November 5, 2024, and a resolution (the "Resolution") adopted by the Board of Education of the District.

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount.

Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income.

6. The amount by which a Bondowner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2023-24

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SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2024

Students. Service. Success.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
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JUNE 30, 2024

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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
South Monterey County Joint Union High School District
King City, 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 South Monterey County Joint Union High School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 December 2, 2024 on our consideration of the South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 2, 2024

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

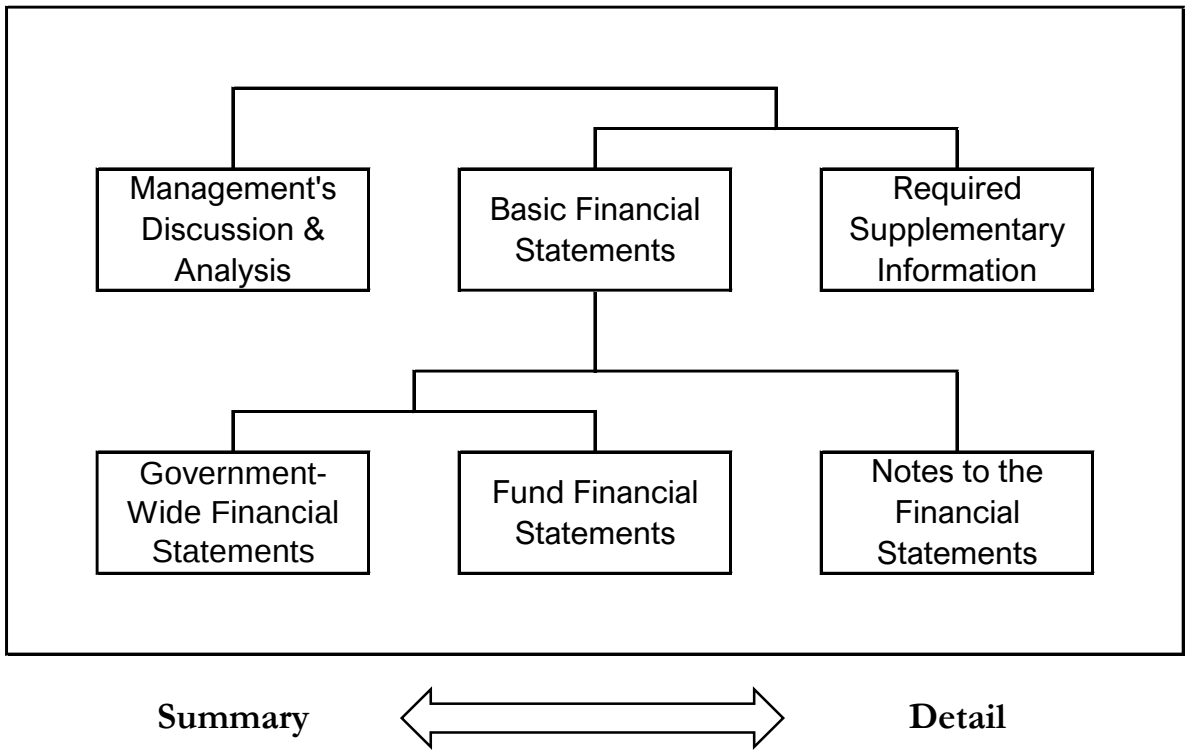
Our discussion and analysis of South Monterey County Joint Union High School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. It should be read in conjunction with the District's financial statements, which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

FINANCIAL HIGHLIGHTS

- The District's net position was $50,317,368 at June 30, 2024. This was an increase of $10,651,194 from the prior year.
- Overall revenues were $60,953,229 which exceeded expenses of $50,302,035.

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 $50,317,368 at June 30, 2024, as reflected in the table below. Of this amount, $(10,768,812) 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	$ 69,580,117	$ 58,753,078	$ 10,827,039
Capital assets	55,796,841	57,198,894	(1,402,053)
Total Assets	125,376,958	115,951,972	9,424,986
DEFERRED OUTFLOWS OF RESOURCES	14,213,636	14,076,703	136,933
LIABILITIES			
Current liabilities	6,340,884	7,533,637	(1,192,753)
Long-term liabilities	79,645,590	79,168,119	477,471
Total Liabilities	85,986,474	86,701,756	(715,282)
DEFERRED INFLOWS OF RESOURCES	3,286,752	3,660,745	(373,993)
NET POSITION			
Net investment in capital assets	19,913,984	20,836,801	(922,817)
Restricted	41,172,196	32,125,768	9,046,428
Unrestricted	(10,768,812)	(13,296,395)	2,527,583
Total Net Position	$ 50,317,368	$ 39,666,174	$ 10,651,194

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	$ 491,664	$ 319,740	$ 171,924
Operating grants and contributions	11,184,363	13,639,120	(2,454,757)
General revenues			
Property taxes	10,143,970	10,306,629	(162,659)
Unrestricted federal and state aid	34,896,965	33,925,727	971,238
Other	4,236,267	1,166,438	3,069,829
Total Revenues	60,953,229	59,357,654	1,595,575
EXPENSES			
Instruction	22,059,474	18,536,884	3,522,590
Instruction-related services	5,507,753	5,772,509	(264,756)
Pupil services	6,368,308	5,422,357	945,951
General administration	4,147,028	4,194,523	(47,495)
Plant services	5,214,074	4,499,514	714,560
Ancillary and community services	1,362,145	1,155,686	206,459
Debt service	1,667,586	1,721,428	(53,842)
Other outgo	473,144	423,525	49,619
Depreciation	3,502,523	921,620	2,580,903
Total Expenses	50,302,035	42,648,046	7,653,989
Change in net position	10,651,194	16,709,608	(6,058,414)
Net Position - Beginning	39,666,174	22,956,566	16,709,608
Net Position - Ending	$ 50,317,368	$ 39,666,174	$ 10,651,194

The cost of all our governmental activities this year was $50,302,035 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was $10,143,970 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions and unrestricted federal and state aid.

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	$ 15,702,325	$ 13,907,930
Instruction-related services	4,706,029	5,447,147
Pupil services	3,186,647	(1,564,645)
General administration	3,665,392	3,100,045
Plant services	4,747,737	3,922,109
Ancillary and community services	1,144,554	959,160
Debt service	1,667,586	1,721,428
Transfers to other agencies	303,215	274,392
Depreciation	3,502,523	921,620
Total	$ 38,626,008	$ 28,689,186

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 $65,101,607, which is more than last year's ending fund balance of $53,339,151. The District's General Fund had $11,068,530 more in operating revenues than expenditures for the year ended June 30, 2024. The District's Special Reserve Fund for Capital Outlay Projects had $30,878 more in operating revenues than expenditures for the year ended June 30, 2024.

CURRENT YEAR BUDGET 2023-2024

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval 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 $55,796,841 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2024	2023	Net Change
CAPITAL ASSETS			
Land	$ 193,279	$ 193,279	$ -
Construction in progress	2,081,090	1,794,375	286,715
Land improvements	1,057,716	964,787	92,929
Buildings & improvements	69,252,659	67,957,548	1,295,111
Furniture & equipment	5,458,392	5,042,048	416,344
Less: Accumulated depreciation	(22,246,295)	(18,753,143)	(3,493,152)
Total	$ 55,796,841	$ 57,198,894	$ (1,402,053)

Long-Term Liabilities

At year-end, the District had $79,645,590 in long-term liabilities, an increase of less than 1% from last year – as shown in the table below primarily due to a new general obligation bond issuance. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2024	2023	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 39,511,919	$ 40,065,196	$ (553,277)
Lease revenue bonds	6,180,000	7,030,000	(850,000)
Compensated absences	145,021	114,739	30,282
Total OPEB liability	6,178,088	5,606,255	571,833
Net pension liability	28,798,839	27,755,206	1,043,633
Less: current portion of long-term liabilities	(1,168,277)	(1,403,277)	235,000
Total	$ 79,645,590	$ 79,168,119	$ 477,471

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 23-24 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

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 Services Office at the South Monterey County Joint Union High School District, 800 Broadway, King City, CA 93930, (831) 385-0606.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and investments	$ 66,848,173
Accounts receivable	2,689,817
Inventory	27,706
Prepaid expenses	14,421
Capital assets, not depreciated	2,274,369
Capital assets, net of accumulated depreciation	53,522,472
Total Assets	125,376,958
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	13,389,602
Deferred outflows related to OPEB	824,034
Total Deferred Outflows of Resources	14,213,636
LIABILITIES	
Accrued liabilities	4,507,806
Unearned revenue	664,801
Long-term liabilities, current portion	1,168,277
Long-term liabilities, non-current portion	79,645,590
Total Liabilities	85,986,474
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,998,978
Deferred inflows related to OPEB	1,287,774
Total Deferred Inflows of Resources	3,286,752
NET POSITION	
Net investment in capital assets	19,913,984
Restricted:	
Capital projects	22,810,281
Debt service	4,406,997
Educational programs	11,060,682
Food service	2,781,097
Associated student body	113,139
Unrestricted	(10,768,812)
Total Net Position	$ 50,317,368

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	$ 22,059,474	$ 302,118	$ 6,055,031	$ (15,702,325)
Instruction-related services				
Instructional supervision and administration	3,336,246	7,472	704,354	(2,624,420)
Instructional library, media, and technology	104,012	-	-	(104,012)
School site administration	2,067,495	2,140	87,758	(1,977,597)
Pupil services				
Home-to-school transportation	731,451	4,018	73,440	(653,993)
Food services	1,668,585	53,678	2,072,226	457,319
All other pupil services	3,968,272	14,043	964,256	(2,989,973)
General administration				
Centralized data processing	1,086,620	-	154,774	(931,846)
All other general administration	3,060,408	14,125	312,737	(2,733,546)
Plant services	5,214,074	78,909	387,428	(4,747,737)
Ancillary services	1,287,145	6,293	211,298	(1,069,554)
Community services	75,000	-	-	(75,000)
Interest on long-term debt	1,667,586	-	-	(1,667,586)
Other outgo	473,144	8,868	161,061	(303,215)
Depreciation (unallocated)	3,502,523	-	-	(3,502,523)
Total Governmental Activities	$ 50,302,035	$ 491,664	$ 11,184,363	(38,626,008)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				8,410,976
Property taxes, levied for debt service				1,558,037
Property taxes, levied for other specific purposes				174,957
Federal and state aid not restricted for specific purposes				34,896,965
Interest and investment earnings				2,907,487
Interagency revenues				159,776
Miscellaneous				1,169,004
Subtotal, General Revenue				49,277,202
CHANGE IN NET POSITION				10,651,194
Net Position - Beginning				39,666,174
Net Position - Ending				$ 50,317,368

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 40,621,165	$ 13,490,264	$ 12,736,744	$ 66,848,173
Accounts receivable	2,102,829	-	586,988	2,689,817
Due from other funds	61,247	8,088,006	122,950	8,272,203
Stores inventory	-	-	27,706	27,706
Prepaid expenditures	14,421	-	-	14,421
Total Assets	$ 42,799,662	$ 21,578,270	$ 13,474,388	$ 77,852,320
LIABILITIES				
Accrued liabilities	$ 3,341,718	$ 26,302	$ 445,689	$ 3,813,709
Due to other funds	8,154,362	-	117,841	8,272,203
Unearned revenue	664,354	-	447	664,801
Total Liabilities	12,160,434	26,302	563,977	12,750,713
FUND BALANCES				
Nonspendable	20,421	-	27,706	48,127
Restricted	11,060,682	21,551,968	12,882,705	45,495,355
Committed	13,723,157	-	-	13,723,157
Assigned	1,241,505	-	-	1,241,505
Unassigned	4,593,463	-	-	4,593,463
Total Fund Balances	30,639,228	21,551,968	12,910,411	65,101,607
Total Liabilities and Fund Balances	$ 42,799,662	$ 21,578,270	$ 13,474,388	$ 77,852,320

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balance - Governmental Funds		$ 65,101,607
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	$ 78,043,136	
Accumulated depreciation	(22,246,295)	55,796,841
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:		(694,097)
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	$ 39,511,919	
Lease revenue bonds	6,180,000	
Compensated absences	145,021	
Total OPEB liability	6,178,088	
Net pension liability	28,798,839	(80,813,867)
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	$ 13,389,602	
Deferred inflows of resources related to pensions	(1,998,978)	11,390,624
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	$ 824,034	
Deferred inflows of resources related to OPEB	(1,287,774)	(463,740)
Total Net Position - Governmental Activities		$ 50,317,368

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 43,093,224	$ -	$ -	$ 43,093,224
Federal sources	2,510,411	-	1,497,889	4,008,300
Other state sources	4,973,099	-	485,368	5,458,467
Other local sources	6,611,397	501,181	2,765,363	9,877,941
Total Revenues	57,188,131	501,181	4,748,620	62,437,932
EXPENDITURES				
Current				
Instruction	22,230,671	-	-	22,230,671
Instruction-related services				
Instructional supervision and administration	3,404,952	-	-	3,404,952
Instructional library, media, and technology	173,678	-	-	173,678
School site administration	2,061,365	-	-	2,061,365
Pupil services				
Home-to-school transportation	804,217	-	-	804,217
Food services	126,741	-	1,556,541	1,683,282
All other pupil services	4,067,376	-	-	4,067,376
General administration				
Centralized data processing	1,187,421	-	-	1,187,421
All other general administration	2,983,207	-	61,247	3,044,454
Plant services	5,110,566	-	108,946	5,219,512
Facilities acquisition and construction	1,044,725	470,303	343,447	1,858,475
Ancillary services	1,121,589	-	177,141	1,298,730
Community services	75,000	-	-	75,000
Transfers to other agencies	473,144	-	-	473,144
Debt service				
Principal	850,000	-	480,000	1,330,000
Interest and other	404,949	-	1,358,250	1,763,199
Total Expenditures	46,119,601	470,303	4,085,572	50,675,476
Excess (Deficiency) of Revenues Over Expenditures	11,068,530	30,878	663,048	11,762,456
Other Financing Sources (Uses)				
Transfers in	-	8,031,412	-	8,031,412
Transfers out	(8,031,412)	-	-	(8,031,412)
Net Financing Sources (Uses)	(8,031,412)	8,031,412	-	-
NET CHANGE IN FUND BALANCE	3,037,118	8,062,290	663,048	11,762,456
Fund Balance - Beginning	27,602,110	13,489,678	12,247,363	53,339,151
Fund Balance - Ending	$ 30,639,228	$ 21,551,968	$ 12,910,411	$ 65,101,607

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Governmental Funds		$ 11,762,456
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:	$ 2,103,726	
Depreciation expense:	(3,502,523)	(1,398,797)
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:		1,330,000
Gain or loss from the disposal of capital assets:		
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(3,256)
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:		22,336
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:		(30,282)

(continued on following page)

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:	(526,134)
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:	(578,406)
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:	73,277
Change in Net Position of Governmental Activities	$ 10,651,194

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The South Monterey County Joint Union High 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 9-12 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

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).

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.

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

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Project Funds: (continued)

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).

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.

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.

Debt Service Fund: This fund was established to separate funds that will be used to pay State School Apportionment Lease Revenue Bonds.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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)

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.

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	June 30, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 through 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 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.

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)

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.

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.

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 (continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

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	$ 63,832,078
Cash on hand and in banks	113,389
Cash with fiscal agent	2,473,115
Cash in revolving fund	6,000
Cash collections awaiting deposit	423,591
Total	$ 66,848,173

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 Monterey 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 – The amount of $2,473,115 represents cash held by U.S. Bank as trustee for the repayment of State Fund Apportionment Lease Revenue Bonds. This amount is fully collateralized.

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 an amortized book value of $63,832,078 and a fair value of $63,425,725. The average weighted maturity for this pool is 408 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

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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 Monterey 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.

The District's fair value measurements at June 30, 2024 were as follows:

	Uncategorized
Investment in county treasury	$ 63,425,725
Total	$ 63,425,725

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	$ 1,431,955	$ 301,647	$ 1,733,602
State Government			
Categorical aid	109,651	86,000	195,651
Lottery	160,888	-	160,888
Local Government			
Other local sources	400,335	199,341	599,676
Total	$ 2,102,829	$ 586,988	$ 2,689,817

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	$ 193,279	$ -	$ -	$ 193,279
Construction in progress	1,794,375	957,418	670,703	2,081,090
Total capital assets not being depreciated	1,987,654	957,418	670,703	2,274,369
Capital assets being depreciated				
Land improvements	964,787	92,929	-	1,057,716
Buildings & improvements	67,957,548	1,295,111	-	69,252,659
Furniture & equipment	5,042,048	428,971	12,627	5,458,392
Total capital assets being depreciated	73,964,383	1,817,011	12,627	75,768,767
Less: Accumulated depreciation				
Land improvements	211,605	48,627	-	260,232
Buildings & improvements	16,278,116	3,188,924	-	19,467,040
Furniture & equipment	2,263,422	264,972	9,371	2,519,023
Total accumulated depreciation	18,753,143	3,502,523	9,371	22,246,295
Total capital assets being depreciated, net	55,211,240	(1,685,512)	3,256	53,522,472
Governmental Activities				
Capital Assets, net	$ 57,198,894	$ (728,094)	$ 673,959	$ 55,796,841

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Interfund payables/receivables at June 30, 2024 consisted of the following:

	Due From Other Funds			
Due To Other Funds	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ -	$ 8,031,412	$ 122,950	$ 8,154,362
Non-Major Governmental Funds	61,247	56,594	-	117,841
Total	$ 61,247	$ 8,088,006	$ 122,950	$ 8,272,203

Due from the General Fund to the Building Fund for CTE project.	$ 122,950
Due from the General Fund to the Special Reserve Fund for Capital Outlay Projects for board approved capital projects.	8,031,412
Due from the Cafeteria Fund to the General Fund for indirect costs.	44,248
Due from the Building Fund to the Special Reserve Fund for Capital Outlay Projects for project management costs.	42,310
Due from the Capital Facilities Fund to the General Fund for admin fee from developer fees.	16,999
Due from the Capital Facilities Fund to the Special Reserve Fund for Capital Outlay Projects for project management costs.	14,284
Total	$ 8,272,203

B. Operating Transfers

Interfund transfers for the year ended June 30, 2024 consisted of $8,031,412 transferred from the General Fund to the Special Reserve Fund for Capital Outlay Projects for board approved capital projects.

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	$ 1,875,406	$ -	$ 12,156	$ -	$ 1,887,562
Construction	-	26,302	423,612	-	449,914
Vendors payable	812,078	-	9,921	-	821,999
Unmatured interest	-	-	-	694,097	694,097
Due to grantor government	654,234	-	-	-	654,234
Total	$ 3,341,718	$ 26,302	$ 445,689	$ 694,097	$ 4,507,806

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2024 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	$ 188,643	$ -	$ 188,643
State categorical sources	475,711	-	475,711
Local sources	-	447	447
Total	$ 664,354	$ 447	$ 664,801

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term debt 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	$ 38,160,000	$ -	$ 480,000	$ 37,680,000	$ 200,000
Unamortized premium	1,905,196	-	73,277	1,831,919	73,277
Total general obligation bonds	40,065,196	-	553,277	39,511,919	273,277
Lease revenue bonds	7,030,000	-	850,000	6,180,000	895,000
Compensated absences	114,739	30,282	-	145,021	-
Total OPEB liability	5,606,255	571,833	-	6,178,088	-
Net pension liability	27,755,206	1,043,633	-	28,798,839	-
Total	$ 80,571,396	$ 1,645,748	$ 1,403,277	$ 80,813,867	$ 1,168,277

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on lease revenue bonds are made in the General Fund.
- Payments for compensated absences are typically paid 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 $145,021. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

The District's general obligation bonds as of June 30, 2024 were as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2023	Additions	Deductions	Bonds Outstanding June 30, 2024
2019	2050	3.1% - 5.0%	$ 12,000,000	$ 11,365,000	$ -	$ -	$ 11,365,000
2019	2050	3.1% - 5.0%	12,000,000	11,365,000	-	-	11,365,000
2021	2050	2.25% - 4.0%	8,000,000	7,715,000	-	240,000	7,475,000
2021	2050	2.25% - 4.0%	8,000,000	7,715,000	-	240,000	7,475,000
				$ 38,160,000	$ -	$ 480,000	$ 37,680,000

The annual requirements to amortize the general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	$ -	$ 457,019	$ 457,019
2026	-	457,019	457,019
2027	-	457,019	457,019
2028	-	457,019	457,019
2029	-	457,019	457,019
2030 - 2034	1,010,000	2,199,094	3,209,094
2035 - 2039	1,890,000	1,884,875	3,774,875
2040 - 2044	2,960,000	1,472,488	4,432,488
2045 - 2049	4,420,000	773,800	5,193,800
2050	1,085,000	43,400	1,128,400
Total	$ 11,365,000	$ 8,658,752	$ 20,023,752

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. General Obligation Bonds (continued)

The annual requirements to amortize the general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	$ -	$ 457,019	$ 457,019
2026	-	457,019	457,019
2027	-	457,019	457,019
2028	-	457,019	457,019
2029	-	457,019	457,019
2030 - 2034	1,010,000	2,199,094	3,209,094
2035 - 2039	1,890,000	1,884,875	3,774,875
2040 - 2044	2,960,000	1,472,488	4,432,488
2045 - 2049	4,420,000	773,800	5,193,800
2050	1,085,000	43,400	1,128,400
Total	$ 11,365,000	$ 8,658,752	$ 20,023,752

Year Ended June 30,	Principal	Interest	Total
2025	$ 100,000	$ 217,006	$ 317,006
2026	125,000	213,006	338,006
2027	145,000	207,606	352,606
2028	170,000	201,306	371,306
2029	200,000	193,906	393,906
2030 - 2034	825,000	873,031	1,698,031
2035 - 2039	1,270,000	670,706	1,940,706
2040 - 2044	1,770,000	444,538	2,214,538
2045 - 2049	2,320,000	207,916	2,527,916
2050	550,000	6,531	556,531
Total	$ 7,475,000	$ 3,235,552	$ 10,710,552

Year Ended June 30,	Principal	Interest	Total
2025	$ 100,000	$ 217,006	$ 317,006
2026	125,000	213,006	338,006
2027	145,000	207,606	352,606
2028	170,000	201,306	371,306
2029	200,000	193,906	393,906
2030 - 2034	825,000	873,031	1,698,031
2035 - 2039	1,270,000	670,706	1,940,706
2040 - 2044	1,770,000	444,538	2,214,538
2045 - 2049	2,320,000	207,916	2,527,916
2050	550,000	6,531	556,531
Total	$ 7,475,000	$ 3,235,552	$ 10,710,552

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. State School Apportionment Lease Revenue Bonds

On July 22, 2009, Senate Bill 130, Chapter 20, Statutes of 2009, was enacted. This legislation provided an emergency apportionment loan to the district of $5 million. In addition the bill authorized the district to augment the emergency loan with an additional $8 million of lease financing in order to increase the emergency loan to a total of $13 million. This loan provides a floating line of credit. As of June 30, 2012, the district received the balance of the apportionment loan amount. The legislation requires the district to repay the loan, including interest calculated at a rate equal to the rate earned by the State's Pooled Money Investment account on the effective date of Senate Bill 130. The bill provides that the loan be repaid over a 20-year period.

On April 7, 2010, the California Infrastructure and Economic Development Bank (I-Bank) issued $14,395,000 in lease revenue bonds bearing interest at 2.0% to 5.6% with maturities from August 15, 2011 through August 15, 2029. The bonds were issued to fund the emergency apportionment given to the district. The district entered into a lease-back agreement whereby the scheduled lease payments will provide the source for the required principal and interest payments on the bonds. The lease payments will be made by an intercept of apportionments due to the district by the State Controller's Office. The intercepts will be made July through October beginning July 2010 and held by the Trustee until the principal and interest bond payments are due as per the debt service schedule.

The outstanding Lease Revenue bonded debt of the District as of June 30, 2024 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2023	Additions	Deductions	Bonds Outstanding June 30, 2024
2010	2030	2.0% - 5.6%	$ 14,395,000	$ 7,030,000	$ -	$ 850,000	$ 6,180,000
				$ 7,030,000	$ -	$ 850,000	$ 6,180,000

The annual requirements to amortize the emergency apportionment lease revenue bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	$ 895,000	$ 326,822	$ 1,221,822
2026	940,000	276,863	1,216,863
2027	995,000	221,231	1,216,231
2028	1,055,000	162,294	1,217,294
2029	1,115,000	99,906	1,214,906
2030	1,180,000	33,925	1,213,925
Total	$ 6,180,000	$ 1,121,041	$ 7,301,041

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Other Postemployment Benefits

The District's beginning total OPEB liability was $5,606,255 and increased by $571,833 during the year ended June 30, 2024. The ending total OPEB liability at June 30, 2024 was $6,178,088. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was $27,755,206 and increased by $1,043,633 during the year ended June 30, 2024. The ending net pension liability at June 30, 2024 was $28,798,839. See Note 11 for additional information regarding the net pension liability.

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	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 6,000	$ -	$ -	$ 6,000
Stores inventory	-	-	27,706	27,706
Prepaid expenditures	14,421	-	-	14,421
Total non-spendable	20,421	-	27,706	48,127
Restricted				
Educational programs	11,060,682	-	-	11,060,682
Food service	-	-	2,781,097	2,781,097
Associated student body	-	-	113,139	113,139
Capital projects	-	21,551,968	4,887,375	26,439,343
Debt service	-	-	5,101,094	5,101,094
Total restricted	11,060,682	21,551,968	12,882,705	45,495,355
Committed				
Other commitments	13,723,157	-	-	13,723,157
Total committed	13,723,157	-	-	13,723,157
Assigned				
Other assignments	1,241,505	-	-	1,241,505
Total assigned	1,241,505	-	-	1,241,505
Unassigned	4,593,463	-	-	4,593,463
Total	$ 30,639,228	$ 21,551,968	$ 12,910,411	$ 65,101,607

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 three percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The South Monterey County Joint Union High School District's defined benefit OPEB plan, South Monterey County Joint Union High School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. 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	Classified
Benefit types provided	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	10 years but not beyond age 65	10 years but not beyond age 65
Required Service	15 years	20 years
Minimum Age	55	55
Dependent Coverage	Yes	Yes
District Contribution %	100%	100%
District Cap	Active cap at retirement	Active cap at retirement

C. Contributions

For the measurement period, the District contributed $119,002 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	10
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	205
Total number of participants**	215

*Information not provided
**As of the June 30, 2024 valuation date

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

E. Total OPEB Liability

The South Monterey County Joint Union High School District's total OPEB liability of $6,178,088 was measured as of June 30, 2024 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.93%
Healthcare cost trend rate	4.00%

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
Classified	2021 CalPERS Mortality for Miscellaneous and Schools Employees

Retirement rates:

Certificated Hired before 2013	2020 CalSTRS 2.0%@60 Rates
Certificated Hired after 2012	2020 CalSTRS 2.0%@62 Rates
Classified Hired before 2013	2021 CalPERS 2.0%@55 Rates for Schools Employees
Classified Hired after 2012	2021 CalPERS 2.0%@62 Rates for Schools Employees

The actuarial assumptions used in the June 30, 2024 valuation were based on a review of plan experience from 2022 through 2024.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed twenty-six years.

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

G. Changes in Total OPEB Liability

	June 30, 2024
Total OPEB Liability	
Service cost	$ 457,320
Interest on total OPEB liability	210,803
Difference between expected and actual experience	157,466
Changes of assumptions	(134,754)
Benefits payments	(119,002)
Net change in total OPEB liability	571,833
Total OPEB liability - beginning	5,606,255
Total OPEB liability - ending	$ 6,178,088
Covered-employee payroll	$ 21,366,349
District's total OPEB liability as a percentage of covered-employee payroll	28.92%

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

The following presents the total OPEB liability of the South Monterey County Joint Union High 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 (2.93 percent) or one percentage point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93%)	Valuation Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	$ 6,754,786	$ 6,178,088	$ 5,651,364

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

The following presents the total OPEB liability of the South Monterey County Joint Union High 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 (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.00%)	Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	$ 5,393,714	$ 6,178,088	$ 7,137,305

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 South Monterey County Joint Union High School District recognized OPEB expense of $645,136. At June 30, 2024 the South Monterey County Joint Union High School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 221,365	$ 545,871
Changes in assumptions	602,669	741,903
Total	$ 824,034	$ 1,287,774

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	$ 54,020	$ 77,007
2026	54,020	77,007
2027	54,020	77,007
2028	54,020	77,007
2029	54,020	77,007
Thereafter	553,934	902,739
Total	$ 824,034	$ 1,287,774

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	$ 17,760,763	$ 8,641,359	$ 1,829,449	$ 3,691,471
PERS Pension	11,038,076	4,748,243	169,529	1,353,999
Total	$ 28,798,839	$ 13,389,602	$ 1,998,978	$ 5,045,470

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 $2,972,989 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 $1,361,124 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	$	17,760,763
State's proportionate share of the net pension liability associated with the District		8,509,835
Total	$	26,270,598

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 0.023 percent, which was a decrease of 0.002 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 $3,691,471. In addition, the District recognized pension expense and revenue of $(123,579) 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	$ -	$ 76,023
Differences between expected and actual experience	1,395,703	950,291
Changes in assumptions	102,841	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,169,826	803,135
District contributions subsequent to the measurement date	2,972,989	-
Total	$ 8,641,359	$ 1,829,449

The $2,972,989 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	$ 1,358,408	$ 962,978
2026	1,237,136	1,275,466
2027	1,083,292	(1,101,547)
2028	1,049,009	378,155
2029	708,492	185,065
2030	232,033	129,332
Total	$ 5,668,370	$ 1,829,449

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 through 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, 2022, 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	$ 29,792,263	$ 17,760,763	$ 7,767,200

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 $1,494,075 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 $11,038,076 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 0.030 percent, which was a decrease of 0.001 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 $1,353,999. 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	$ 1,179,024	$ -
Differences between expected and actual experience	402,811	169,529
Changes in assumptions	508,520	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,163,813	-
District contributions subsequent to the measurement date	1,494,075	-
Total	$ 4,748,243	$ 169,529

The $1,494,075 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	$ 1,133,648	$ 91,534
2026	965,834	77,995
2027	1,117,994	-
2028	36,692	-
Total	$ 3,254,168	$ 169,529

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	$ 15,958,205	$ 11,038,076	$ 6,971,702

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.

C. Construction Commitments

As of June 30, 2024, the District had commitments of $3,772,229 with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Monterey County Schools' Insurance Group, the Monterey and San Benito Counties Liability/Property JPA, and the Monterey County Schools' Workers' Compensation JPA. 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 $13,389,602 and total deferred inflows related to pensions was $1,998,978.

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 $824,034 and total deferred inflows related to other postemployment benefits was $1,287,774.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	$ 43,444,439	$ 43,075,197	$ 43,093,224	$ 18,027
Federal sources	2,157,399	2,807,061	2,510,411	(296,650)
Other state sources	3,598,845	5,893,243	5,539,712	(353,531)
Other local sources	2,703,845	4,358,904	5,412,777	1,053,873
Total Revenues	51,904,528	56,134,405	56,556,124	421,719
EXPENDITURES				
Certificated salaries	17,628,099	17,570,469	16,454,259	1,116,210
Classified salaries	6,067,291	6,100,408	5,926,707	173,701
Employee benefits	11,680,729	11,587,642	10,539,775	1,047,867
Books and supplies	3,877,078	7,694,208	3,379,651	4,314,557
Services and other operating expenditures	6,088,651	14,162,972	6,702,272	7,460,700
Capital outlay	827,849	5,608,152	1,274,297	4,333,855
Other outgo				
Excluding transfers of indirect costs	1,789,804	1,749,285	1,713,093	36,192
Transfers of indirect costs	(71,471)	(71,471)	(51,895)	(19,576)
Total Expenditures	47,888,030	64,401,665	45,938,159	18,463,506
Excess (Deficiency) of Revenues Over Expenditures	4,016,498	(8,267,260)	10,617,965	18,885,225
Other Financing Sources (Uses)				
Transfers out	-	(7,125,555)	(7,890,943)	(765,388)
Net Financing Sources (Uses)	-	(7,125,555)	(7,890,943)	(765,388)
NET CHANGE IN FUND BALANCE	4,016,498	(15,392,815)	2,727,022	18,119,837
Fund Balance - Beginning	23,314,408	23,314,408	23,314,408	-
Fund Balance - Ending	$ 27,330,906	$ 7,921,593	$ 26,041,430	$ 18,119,837

* 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 for the following reasons:

- The amounts on that schedule include the financial activity of the Adult Education Fund and Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Audit adjustments made in the prior year are not included in this schedule.

See accompanying note to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	$ 457,320	$ 454,308	$ 478,803	$ 462,684	$ 562,954	$ 519,591	$ 505,685
Interest on total OPEB liability	210,803	188,699	118,095	111,032	161,471	141,709	136,362
Difference between expected and actual experience	157,466	-	86,334	-	(721,961)	-	-
Changes of assumptions	(134,754)	(58,619)	(653,227)	19,421	695,859	88,806	-
Benefits payments	(119,002)	(162,918)	(146,354)	(215,138)	(214,329)	(199,992)	(191,208)
Net change in total OPEB liability	571,833	421,470	(116,349)	377,999	483,994	550,114	450,839
Total OPEB liability - beginning	5,606,255	5,184,785	5,301,134	4,923,135	4,439,141	3,889,027	3,438,188
Total OPEB liability - ending	$ 6,178,088	$ 5,606,255	$ 5,184,785	$ 5,301,134	$ 4,923,135	$ 4,439,141	$ 3,889,027
Covered-employee payroll	$ 21,366,349	$ 18,757,200	$ 21,446,438	$ 17,363,531	$ 14,640,195	$ 16,421,496	$ 10,578,613
District's total OPEB liability as a percentage of covered-employee payroll	28.92%	29.89%	24.18%	30.53%	33.63%	27.03%	36.76%

See accompanying notes to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	0.023%	0.025%	0.023%	0.020%	0.021%	0.020%	0.019%	0.017%	0.014%	0.015%
District's proportionate share of the net pension liability	$ 17,760,763	$ 17,213,928	$ 10,613,420	$ 19,843,399	$ 18,855,188	$ 18,043,692	$ 17,172,356	$ 13,824,820	$ 9,168,106	$ 9,015,325
State's proportionate share of the net pension liability associated with the District	8,509,835	8,620,786	5,340,373	10,229,192	10,286,847	10,330,908	10,159,104	7,871,382	4,848,904	5,043,243
Total	$ 26,270,598	$ 25,834,714	$ 15,953,793	$ 30,072,591	$ 29,142,035	$ 28,374,600	$ 27,331,460	$ 21,696,202	$ 14,017,010	$ 14,058,568
District's covered payroll	$ 14,800,344	$ 14,545,102	$ 12,906,420	$ 11,729,760	$ 11,485,458	$ 10,365,715	$ 10,409,676	$ 8,544,687	$ 7,212,524	$ 6,871,418
District's proportionate share of the net pension liability as a percentage of its covered payroll	120.0%	118.3%	82.2%	169.2%	164.2%	174.1%	165.0%	161.8%	127.1%	131.2%
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.

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	0.030%	0.031%	0.027%	0.027%	0.026%	0.024%	0.022%	0.020%	0.020%	0.019%
District's proportionate share of the net pension liability	$ 11,038,076	$ 10,541,278	$ 5,541,438	$ 8,240,499	$ 7,622,598	$ 6,403,236	$ 5,153,866	$ 4,034,211	$ 2,952,438	$ 2,121,021
District's covered payroll	$ 5,277,277	$ 4,632,208	$ 3,924,826	$ 3,877,814	$ 3,634,743	$ 3,164,659	$ 2,768,193	$ 2,606,780	$ 2,457,583	$ 1,961,292
District's proportionate share of the net pension liability as a percentage of its covered payroll	209.2%	227.6%	141.2%	212.5%	209.7%	202.3%	186.2%	154.8%	120.1%	108.1%
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.

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	$ 2,972,989	$ 2,852,525	$ 2,486,693	$ 2,100,406	$ 1,993,714	$ 1,880,799	$ 1,512,127	$ 1,300,186	$ 894,453	$ 606,816
Contributions in relation to the contractually required contribution*	(2,972,989)	(2,852,525)	(2,486,693)	(2,100,406)	(1,993,714)	(1,880,799)	(1,512,127)	(1,300,186)	(894,453)	(606,816)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 15,479,992	$ 14,800,344	$ 14,545,102	$ 12,906,420	$ 11,729,760	$ 11,485,458	$ 10,365,715	$ 10,409,676	$ 8,544,687	$ 7,212,524
Contributions as a percentage of covered payroll	19.21%	19.27%	17.10%	16.27%	17.00%	16.38%	14.59%	12.49%	10.47%	8.41%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	$ 1,494,075	$ 1,341,212	$ 1,081,614	$ 801,043	$ 762,797	$ 656,228	$ 492,426	$ 382,975	$ 291,028	$ 260,841
Contributions in relation to the contractually required contribution*	(1,494,075)	(1,341,212)	(1,081,614)	(801,043)	(762,797)	(656,228)	(492,426)	(382,975)	(291,028)	(260,841)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 5,598,669	$ 5,277,277	$ 4,632,208	$ 3,924,826	$ 3,877,814	$ 3,634,743	$ 3,164,659	$ 2,768,193	$ 2,606,780	$ 2,457,583
Contributions as a percentage of covered payroll	26.69%	25.41%	23.35%	20.41%	19.67%	18.05%	15.56%	13.83%	11.16%	10.61%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

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

There were no changes in benefit terms since the previous valuation for OPEB.

Changes in Assumptions

The discount rate changed from 3.65% to 3.93% since the previous measurement date.

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 valuation 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 did not incur an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

SUPPLEMENTARY INFORMATION

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	$ 615,442
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	54,643
Title III, English Learner Student Program	84.365	14346	75,638
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	41,630
Title VI, Part B, Rural & Low Income School Program	84.358	14356	8,183
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	716,629
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	32,327
Subtotal Special Education Cluster			748,956
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	101,566
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	733,643
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	6,957
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	79,402
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	19,760
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	6,693
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	12,068
Subtotal Education Stabilization Fund Discretionary Grants			858,523
Total U. S. Department of Education			2,504,581
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	173,316
National School Lunch Program	10.555	13391	1,080,874
USDA Commodities	10.555	*	105,596
Summer Food Service Program for Children	10.559	13004	43,810
Supply Chain Assistance (SCA) Funds	10.555	15655	130,901
Local Food for Schools	10.555	15708	17,995
Subtotal Child Nutrition Cluster			1,552,492
Forest Reserve Funds	10.665	10044	5,830
Total U. S. Department of Agriculture			1,558,322
Total Federal Expenditures			$ 4,062,903

* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2024

	Second Period Report	Annual Report
SCHOOL DISTRICT		
Ninth through Twelfth		
Regular ADA	2,517.19	2,488.37
Extended Year Special Education	-	0.34
Special Education - Nonpublic Schools	0.66	0.90
Total Ninth through Twelfth	2,517.85	2,489.61
TOTAL SCHOOL DISTRICT	2,517.85	2,489.61

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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
Grade 9	64,800	65,110	181	Complied
Grade 10	64,800	65,110	181	Complied
Grade 11	64,800	65,110	181	Complied
Grade 12	64,800	65,110	181	Complied

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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	$ 52,477,385	$ 56,556,124	$ 56,627,828	$ 50,024,666
Expenditures And Other Financing Uses	56,379,363	53,829,102	49,524,623	50,183,632
Net change in Fund Balance	$ (3,901,978)	$ 2,727,022	$ 7,103,205	$ (158,966)
Ending Fund Balance	$ 22,139,452	$ 26,041,430	$ 23,314,408	$ 16,211,203
Available Reserves*	$ 7,155,432	$ 4,593,463	$ 3,535,312	$ 5,542,409
Available Reserves As A Percentage Of Outgo	12.69%	8.53%	7.14%	11.04%
Long-term Liabilities	$ 79,645,590	$ 80,813,867	$ 80,571,396	$ 70,010,810
Average Daily Attendance At P-2	2,423	2,518	2,531	2,501

The General Fund ending fund balance has increased by $9,830,227 over the past two years. However, the fiscal year 2024-25 budget projects a decrease of $3,901,978. 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 $10,803,057 over the past two years.

Average daily attendance has increased by 17 ADA over the past two years. However, a decrease of 95 ADA is anticipated during the 2024-25 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects.

**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 the Adult Education Fund and Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54. Audit adjustments made in prior years are also not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Adult Education Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2024, annual financial and budget report fund balance	$ 26,041,430	$ 4,335	$ 4,593,463
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	4,597,798	(4,335)	(4,593,463)
Net adjustments and reclassifications	4,597,798	(4,335)	(4,593,463)
June 30, 2024, audited financial statement fund balance	$ 30,639,228	$ -	$ -

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2024

There were no charter schools sponsored by the District for the year ended June 30, 2024.

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2024

	Student Activity Fund	Charter Schools Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	$ 113,139	$ -	$ 2,457,863	$ 3,723,558	$ 1,341,090	$ 1,013,540	$ 4,087,554	$ 12,736,744
Accounts receivable	-	-	390,006	-	196,982	-	-	586,988
Due from other funds	-	-	-	122,950	-	-	-	122,950
Stores inventory	-	-	27,706	-	-	-	-	27,706
Total Assets	$ 113,139	$ -	$ 2,875,575	$ 3,846,508	$ 1,538,072	$ 1,013,540	$ 4,087,554	$ 13,474,388
LIABILITIES								
Accrued liabilities	$ -	$ -	$ 22,077	$ 175,136	$ 248,476	$ -	$ -	$ 445,689
Due to other funds	-	-	44,248	42,310	31,283	-	-	117,841
Unearned revenue	-	-	447	-	-	-	-	447
Total Liabilities	-	-	66,772	217,446	279,759	-	-	563,977
FUND BALANCES								
Non-spendable	-	-	27,706	-	-	-	-	27,706
Restricted	113,139	-	2,781,097	3,629,062	1,258,313	1,013,540	4,087,554	12,882,705
Total Fund Balances	113,139	-	2,808,803	3,629,062	1,258,313	1,013,540	4,087,554	12,910,411
Total Liabilities and Fund Balances	$ 113,139	$ -	$ 2,875,575	$ 3,846,508	$ 1,538,072	$ 1,013,540	$ 4,087,554	$ 13,474,388

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	Student Activity Fund	Charter Schools Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	$ -	$ -	$ 1,497,889	$ -	$ -	$ -	$ -	$ 1,497,889
Other state sources	-	-	479,975	-	-	5,393	-	485,368
Other local sources	194,962	196	219,347	203,113	381,180	1,605,646	160,919	2,765,363
Total Revenues	194,962	196	2,197,211	203,113	381,180	1,611,039	160,919	4,748,620
EXPENDITURES								
Current								
Pupil services								
Food services	-	-	1,556,541	-	-	-	-	1,556,541
General administration								
All other general administration	-	-	44,248	-	16,999	-	-	61,247
Plant services	-	-	804	3,855	104,287	-	-	108,946
Facilities acquisition and construction	-	-	-	273,299	70,148	-	-	343,447
Ancillary services	177,141	-	-	-	-	-	-	177,141
Debt service								
Principal	-	-	-	-	-	480,000	-	480,000
Interest and other	-	-	-	-	-	1,358,250	-	1,358,250
Total Expenditures	177,141	-	1,601,593	277,154	191,434	1,838,250	-	4,085,572
NET CHANGE IN FUND BALANCE	17,821	196	595,618	(74,041)	189,746	(227,211)	160,919	663,048
Fund Balance - Beginning	95,318	(196)	2,213,185	3,703,103	1,068,567	1,240,751	3,926,635	12,247,363
Fund Balance - Ending	$ 113,139	$ -	$ 2,808,803	$ 3,629,062	$ 1,258,313	$ 1,013,540	$ 4,087,554	$ 12,910,411

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 following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2024 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2024.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 4,008,300
Supply Chain Assistance (SCA) Funds	10.555	54,603
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 4,062,903

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 charter school and whether the District and charter school complied with 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.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2024

The South Monterey County Joint Union High School District (formerly known as the King City Joint Union High School District) was established in 1911 and consists of an area comprising approximately 2,500 square miles. The District operates two high schools and one continuation high school. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
David Gaboni	President	2024
Leslie Girard	Clerk	2026
Linda Benway	Member	2026
Paul Dake	Member	2026
Dr. Lourdes Villarreal	Member	2024

DISTRICT ADMINISTRATORS

Dr. Caroline Cota
Superintendent

Sherrie Castellanos
Chief Business Official

OTHER INDEPENDENT AUDITORS' REPORTS

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
South Monterey County Joint Union High School District
King City, 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 South Monterey County Joint Union High School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the South Monterey County Joint Union High School District's basic financial statements, and have issued our report thereon dated December 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Monterey County Joint Union High 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 South Monterey County Joint Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Monterey County Joint Union High 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Monterey County Joint Union High 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*.

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.

San Diego, California
December 2, 2024

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
South Monterey County Joint Union High School District
King City, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Monterey County Joint Union High 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 South Monterey County Joint Union High School District's major federal programs for the year ended June 30, 2024. South Monterey County Joint Union High 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, South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High School District's federal programs.

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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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
December 2, 2024

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

Governing Board
South Monterey County Joint Union High School District
King City, California

Report on State Compliance

Opinion on State Compliance

We have audited South Monterey County Joint Union High 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 South Monterey County Joint Union High 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, South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High School District's state programs.

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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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High 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 South Monterey County Joint Union High School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine South Monterey County Joint Union High 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	Not Applicable
Independent Study	Yes
Continuation Education	Yes
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	Not Applicable
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	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Not Applicable
Transitional Kindergarten	Not Applicable
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

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2024-001 and #2024-002. Our opinion on state compliance is not modified with respect to these matters.

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

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.

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
December 2, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH MONTEREY COUNTY JOINT UNION HIGH 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?	None Reported
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* ?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2024.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

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.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
STATE AWARD FINDINGS AND 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

FINDING #2024-001: CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in California Education Code section 41372, a high school district should expend a minimum of 50% of the District's current expenses of education towards salaries of classroom teachers.

Condition: In the 2023-24 fiscal year, South Monterey County Joint Union High School District did not meet the minimum percentage requirement.

Cause: The District did not meet this requirement this year due to the large amount of one-time funding received.

Effect: The District's current expense of education for the year audited June 30, 2024 was $41,072,526 and the total salaries and benefits for classroom teachers was $19,643,745. The District was below the minimum required percentage of 50% by 2.17% which calculates out to a deficiency of $891,274.

Context: The minimum percentage required by the State of California is 50% for a High School District. South Monterey County Joint Union High School District spent 47.83% on classroom teacher salaries in the 2023-24 fiscal year.

Questioned Cost: The questioned costs are the deficiency of $891,274.

Repeat Finding: This is a repeat finding of Finding #2023-001.

Recommendation: We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure they meet the 50% minimum requirement and to be in compliance with Education Code section 41372. The District should also apply for an exemption from the Monterey County Office of Education.

Corrective Action Plan: The District applied and received an exemption from the Monterey County Office of Education. The District will continue to monitor expenditures and to recruit teachers.

FINDING #2024-002: PROPER EXPENDITURE OF EDUCATION PROTECTION ACCOUNT FUNDS (40000)

Criteria: Funds provided from the Education Protection Account (EPA) must be properly expended as required by Article XIII, Section 36, Subdivision (e), Paragraph (6) of the California Constitution. Specifically, EPA funds may not be used for salaries or benefits of administrators or any other administrative costs.

Condition: Based on our review of expenditures charged to the EPA resource for the year ended June 30, 2024, the District expended $12,000 for administrative purposes.

Cause: Expenditures were inadvertently coded to an unallowable function.

Effect: The District was not in compliance with the requirements for proper expenditure of EPA funds.

Questioned Costs: $12,000 which totals the amount of EPA funds expended for administrative purposes.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend reviewing and utilizing CDE guidance regarding the proper uses of EPA funds in order to ensure compliance in future years.

Corrective Action Plan: The District will review EPA expenditures quarterly to ensure compliance. CDE guidance will remain in the resource folder.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

FINDING #2023-001: CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in California Education Code section 41372, a high school district should expend a minimum of 50% of the District's current expenses of education towards salaries of classroom teachers.

Condition: In the 2022-23 fiscal year, South Monterey County Joint Union High School District did not meet the minimum percentage requirement.

Cause: The District did not meet this requirement this year due to the large amount of one-time funding received.

Effect: The District's current expense of education for the year audited June 30, 2023 was $39,572,926 and the total salaries and benefits for classroom teachers was $18,969,130. The District was below the minimum required percentage of 50% by 2.07% which calculates out to a deficiency of $819,160.

Context: The minimum percentage required by the State of California is 50% for a High School District. South Monterey County Joint Union High School District spent 47.93% on classroom teacher salaries in the 2022-23 fiscal year.

Questioned Cost: The questioned costs are the deficiency of $819,160.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure they meet the 50% minimum requirement and to be in compliance with Education Code section 41372. The District should also apply for an exemption from the Monterey County Office of Education.

Corrective Action Plan: The District is applying for an exemption with the Monterey County Office of Education. Further, the business office will review expenditure reports monthly to monitor that classroom teacher salaries meet the 50% minimum requirement.

Current Status: Not implemented, see Finding #2024-001.

FINDING #2023-002: TEACHER CERTIFICATION AND MISASSIGNMENTS (71000)

Criteria: Any person rendering service as a teacher in kindergarten or grades 1 to 12, inclusive, must have a valid certification document per Education Code § 45037.

Condition: The District had a classroom that was taught by someone other than a credentialed teacher for five days during the school year.

Cause: A decision was made to use a para-educator to instruct the classroom.

FINDING #2023-002: TEACHER CERTIFICATION AND MISASSIGNMENTS (71000) (continued)

Effect: The District was not in compliance with Education Code § 45037.

Questioned Cost: The District's estimated number of schooldays for all teachers is 23,121. Based on a 179 instructional day calendar (due to the District being closed for two days during the year), we estimate the questioned cost of one teacher not being credentialed for five days to be $8,803 (5 unallowable days / (129.17 FTE*179 instructional days) multiplied by the District's Total LCFF Entitlement of $40,707,687).

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement appropriate controls to ensure that anyone instructing a classroom have valid certification documents.

Corrective Action Plan: The District will provide annual training to administrators on expectations and requirements for certificated teachers to ensure an appropriately credentialed person is instructing students.

Current Status: Implemented.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the South Monterey County Joint Union High School District (the "District") in connection with the issuance of (i) $15,000,000 of the District's Election of 2024 General Obligation Bonds, Series A (Measure H) and (ii) $15,000,000 of the District's Election of 2024 General Obligation Bonds, Series A-1 (Measure I) (together, the "Bonds"). The Bonds are being issued pursuant to resolutions of the Board of Education of the District adopted on June 18, 2025 (the "Resolutions"). The District 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 in the Resolutions, 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" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

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

"Holders" shall mean the registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement, dated August 5, 2025, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean Piper Sandler & Co., or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2024-25 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are 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(d).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

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

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) assessed value of taxable property in the District as shown on the most recent equalized assessment roll for the then-current fiscal year;

(f) secured property tax charges and corresponding delinquencies for the District for the most recently completed fiscal year, except to the extent the Teeter Plan, as adopted by Monterey and San Benito Counties, applies to the tax levy for general obligation bonds of the District; and

(g) top ten property owners in the District for the current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable assessed value, and their percentage of total secured assessed value.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, as prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. 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; and

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(10), the event 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 U.S. 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 governmental 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.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. 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.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. 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(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. 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, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a

change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. 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 Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District 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 Resolutions, 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 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. 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.

Dated: August 20, 2025

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District:	THE SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
Name of Bond Issue:	Election of 2024 General Obligation Bonds, Series A (Measure H) Election of 2024 General Obligation Bonds, Series A-1 (Measure I)
Date of Issuance:	August 20, 2025

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated:_____

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL
DISTRICT

By ____[form only; no signature required]_____

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR KING CITY AND MONTEREY AND SAN BENITO COUNTIES

The following information regarding King City (the "City") and the Counties of Monterey and San Benito (collectively, the "Counties") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or the Counties. This material has been prepared by or excerpted from the sources noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

King City. Located in the Salinas Valley, approximately 50 miles southeast of the city of Salinas, the City was founded in 1886 and incorporated in 1911. It is a Charter City with a Council-Manager form of government. Five members of the City Council are elected by districts to 4-year staggered terms. Its economic base is largely dependent on agriculture, food processing and packing. It is a gateway to Pinnacles National Park.

Monterey County. Monterey County comprises the southern coast of Monterey Bay and is almost at the midpoint of the California coastline, approximately 125 miles south of San Francisco and 300 miles north of Los Angeles. It was incorporated in 1850 as one of the State's original 27 counties. Monterey County covers an area of approximately 3,771 square miles. The Salinas Valley, located in the eastern portion of Monterey County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction with Pebble Beach, Cypress Point, The Monterey Bay Aquarium and the City of Carmel as the main attractions. South of the peninsula, Big Sur is known worldwide for its rugged scenery.

San Benito County. With an area of 1,396 square miles, San Benito County is bordered by Monterey County on the north, south and west, and Merced and Fresno Counties on the east. Approximately 85 miles south of San Francisco, it was incorporated in 1874 and is home to several American Viticultural Areas. Along with agriculture, agritourism is having a growing economic impact on San Benito County, in addition to the many recreational opportunities provided by its several parks, such as Pinnacles National Park. A five-member Board of Supervisors elected by each of their districts to staggered four-year terms governs San Benito County under a Board of Supervisors-County Administrator form of government.

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Population

The following table shows the historical population figures for the City, the Counties and the State for the last 10 years.

POPULATION ESTIMATES
2016 through 2025
King City, Monterey County, San Benito County and the State of California

Year[1]	King City	Monterey County	San Benito County	State of California
2016[1]	13,182	434,712	59,563	39,036,749
2017[1]	13,255	437,800	60,499	39,273,915
2018[1]	13,222	438,000	61,143	39,429,439
2019[1]	13,281	439,477	62,734	39,503,656
2020[2]	13,395	439,035	64,209	39,538,223
2021[2]	13,545	437,429	64,712	39,369,530
2022[2]	13,426	436,584	65,751	39,179,680
2023[2]	14,062	436,972	65,370	39,228,444
2024[2]	14,189	436,613	66,514	39,420,663
2025[2]	14,344	438,831	66,822	39,529,101

[1] As of January 1.
[2] As of May 1.

Source: 2016-19 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1. 2020-25 (2020 Demographic Research Unit Benchmark): California Department of Finance for May 1.

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Income

The following table summarizes per capita personal income for the Counties, the State, and the United States for the past 10 years that statistics are currently available.

PER CAPITA PERSONAL INCOME
2014 through 2023
Monterey County, San Benito County, the State of California, and the United States

Year	Monterey County	San Benito County	State of California	United States
2014	$46,375	$40,383	$50,617	$46,289
2015	49,760	44,022	53,816	48,062
2016	50,849	46,231	55,862	48,974
2017	51,873	48,561	58,214	51,006
2018	52,360	50,113	60,984	53,311
2019	55,690	54,121	64,219	55,567
2020	60,598	60,573	70,098	59,123
2021	64,975	62,228	76,882	64,460
2022	65,331	62,275	76,941	66,244
2023	68,943	66,310	81,255	69,810

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: February 20, 2025 – revised statistics for 2014-2023. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables list the principal employers in the Counties.

PRINCIPAL EMPLOYERS
2024
Monterey County

Employer	Industry	Number of Employees
Azcona Harvesting	Agriculture: Agricultural Services	1,000 – 4,999
Bud of California	Agriculture: Agricultural Production Crops	1,000 – 4,999
Pebble Beach Co.	Services: Hotels	1,000 – 4,999
Pebble Beach Resorts	Services: Hotels	1,000 – 4,999
Premium Packing Inc.	Agriculture: Agricultural Services	1,000 – 4,999
Salinas Valley Meml Healthcare	Services: Health	1,000 – 4,999
Al Pak Labor	Agriculture: Agricultural Services	500 - 999
County- Monterey Behavioral	Health Services	500 - 999
Growers Co.	Retail Trade: Food Stores	500 - 999
Hilltown Packing Co. Inc.	Agriculture: Agricultural Services	500 - 999

Source: America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

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PRINCIPAL EMPLOYERS
2024
Santa Benito County

Employer	Industry	Number of Employees
Earthbound Farm	Agriculture: Agricultural Production Crops	1,000 – 4,999
R & R Labor	Agriculture: Agricultural Services	500 – 999
San Benito Foods	Agriculture: Agricultural Production Crops	500 – 999
San Benito High School	Services: Education	250 – 499
Alpha Teknova Inc	Manufacturing: Medical and Optical Goods	100 - 249
Coke Farm	Agriculture: Agricultural Production Crops	100 - 249
Corbin Sparrow	Manufacturing: Transportation Equipment	100 - 249
Denise & Filice Packing Co.	Wholesale Trade-non-durable Goods	100 - 249
Nob Hill Foods	Retail Trade: Food Stores	100 - 249
West Marine Distribution Center	Transportation Services	100 - 249

Source: America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2020 through 2024 for the City, the Counties, the State, and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2020 through 2024[1]
King City, Monterey County, San Benito County, the State of California, and the United States

Year and Area	Labor Force	Employment[2]	Unemployment[3]	Unemployment Rate (%)
2020				
King City	5,700	5,400	300	5.1%
Monterey County	211,900	188,100	23,900	11.3
San Benito County	31,900	28,700	3,200	10.1
State of California	18,821,200	16,913,100	1,908,100	10.0
United States	160,742,000	147,795,000	12,947,000	8.1
2021				
King City	5,300	4,900	300	6.4
Monterey County	209,800	192,100	17,600	8.4
San Benito County	32,700	30,300	2,300	7.2
State of California	19,041,000	18,127,700	913,300	4.8
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
King City	5,500	5,200	300	5.9
Monterey County	215,300	202,000	13,300	6.2
San Benito County	33,800	32,100	1,700	5.0
State of California	19,252,900	18,440,900	811,100	4.2
United States	164,287,000	158,291,000	5,996,000	3.6
2023				
King City	5,600	5,100	500	8.4
Monterey County	216,600	201,400	15,200	7.0
San Benito County	34,300	32,300	2,000	5.7
State of California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
2024				
King City	5,700	5,200	500	8.7
Monterey County	221,200	205,100	16,100	7.3
San Benito County	34,400	32,200	2,200	6.3
State of California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2024 Benchmark.

Industry

Monterey County is included in the Salinas Metropolitan Statistical Area (the "MSA"). The distribution of employment is presented in the following table for the past five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
2020 through 2024
Monterey County (Salinas MSA)

Category	2020	2021	2022	2023	2024
Total Farm	53,800	54,800	58,400	54,400	56,600
Total Nonfarm	131,700	136,000	143,200	145,500	148,100
Total Private	97,900	102,400	108,800	110,300	111,800
Goods Producing	11,000	11,500	12,200	12,400	12,500
Mining and Logging	200	200	200	200	200
Construction	6,200	6,500	6,900	7,200	7,600
Manufacturing	4,600	4,900	5,100	5,000	4,800
Nondurable Goods	3,100	3,400	3,600	3,600	3,500
Service Providing	120,700	124,500	131,000	133,100	135,600
Private Service Providing	86,900	90,900	96,600	97,900	99,300
Trade, Transportation and Utilities	24,600	25,000	25,400	25,500	25,500
Wholesale Trade	5,400	5,300	5,500	5,800	5,800
Retail Trade	15,500	16,000	16,200	16,200	16,200
Transportation, Warehousing and Utilities	3,800	3,600	3,600	3,500	3,600
Information	800	800	900	900	900
Financial Activities	4,100	4,200	4,300	4,100	4,200
Professional and Business Services	14,400	15,400	15,500	14,400	13,600
Private Education and Health Services	19,800	20,200	21,000	22,000	23,800
Leisure and Hospitality	18,800	20,500	24,200	25,500	25,800
Other Services	4,500	4,900	5,300	5,500	5,500
Government	33,800	33,600	34,400	35,200	36,300
Total, All Industries	185,500	190,800	201,600	199,900	204,700

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2024 Benchmark.

San Benito County is included in the San Jose-Santa Clara-Sunnyvale Metropolitan Statistical Area. The distribution of employment is presented in the following table for the past five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
2020 through 2024
San Benito County (San Jose-Santa Clara-Sunnyvale Metropolitan Statistical Area)

Category	2020	2021	2022	2023	2024
Total Farm	5,300	5,000	4,800	4,700	4,800
Total Nonfarm	1,076,200	1,097,700	1,151,000	1,154,000	1,152,200
Total Private	982,300	1,004,500	1,055,200	1,056,000	1,052,000
Goods Producing	175,900	177,500	187,100	185,200	178,700
Mining and Logging	200	200	200	200	200
Construction	50,100	51,700	53,800	53,900	53,200
Manufacturing	125,600	125,700	133,200	131,100	125,300
Durable Goods	116,500	115,900	122,600	120,500	114,700
Nondurable Goods	9,100	9,800	10,600	10,600	10,600
Service Providing	900,300	920,200	963,900	968,800	973,500
Private Service Providing	806,400	827,000	868,100	870,800	873,300
Trade, Transportation and Utilities	116,800	117,200	119,200	119,400	117,300
Wholesale Trade	29,200	28,300	28,900	28,900	28,500
Retail Trade	73,000	73,700	73,600	73,700	72,200
Transportation, Warehousing and Utilities	14,600	15,100	16,700	16,900	16,600
Information	105,900	107,100	106,000	97,700	94,000
Financial Activities	38,000	38,400	38,100	37,800	36,600
Professional and Business Services	277,800	284,100	295,700	290,400	286,000
Private Education and Health Services	172,700	178,400	187,000	197,100	208,700
Leisure and Hospitality	73,100	79,000	96,700	101,900	103,400
Other Services	22,100	22,800	25,400	26,500	27,400
Government	93,900	93,300	95,800	98,000	100,100
Total, All Industries	1,081,500	1,102,800	1,155,800	1,158,700	1,157,000

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2024 Benchmark.

Commercial Activity

A summary of annual taxable sales for the City and the Counties for the last five years is shown in the following tables.

ANNUAL TAXABLE SALES
2020 through 2024
King City
(Dollars in Thousands)

Year	Total Retail and Food Services: Permits	Retail and Food Services: Taxable Transactions	Total All Outlets: Permits	Total All Outlets: Taxable Transactions
2020	303	$63,340	440	$115,124
2021	290	73,271	427	137,422
2022	313	75,716	456	153,084
2023	326	79,311	478	156,219
2024	339	82,101	491	153,172

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

ANNUAL TAXABLE SALES
2020 through 2024
Monterey County
(Dollars in Thousands)

Year	Total Retail and Food Services: Permits	Retail and Food Services: Taxable Transactions	Total All Outlets: Permits	Total All Outlets: Taxable Transactions
2020	8,078	$4,923,656	13,505	$6,953,873
2021	7,363	5,930,461	12,425	8,439,414
2022	7,455	6,384,227	12,783	9,422,998
2023	7,163	6,287,633	12,347	9,291,579
2024	7,022	6,244,746	12,228	9,157,992

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

ANNUAL TAXABLE SALES
2020 through 2024
San Benito County
(Dollars in Thousands)

Year	Total Retail and Food Services: Permits	Retail and Food Services: Taxable Transactions	Total All Outlets: Permits	Total All Outlets: Taxable Transactions
2020	1,121	$532,663	1,910	$840,600
2021	963	587,800	1,657	976,164
2022	965	624,569	1,675	1,029,965
2023	969	624,086	1,653	1,051,003
2024	982	608,130	1,665	1,023,763

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and the Counties are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
King City
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$8,150	$22,374	$7,166	$6,472	$12,769
Non-Residential	6,194	1,320	1,447	2,463	1,705
Total	$14,344	$23,694	$8,613	$8,935	$14,474
Units					
Single Family	42	26	30	29	51
Multiple Family	0	118	0	0	0
Total	42	144	30	29	51

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
Monterey County
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$184,438	$242,508	$293,651	$308,236	$249,142
Non-Residential	143,658	159,230	190,085	141,096	151,248
Total	$328,096	$401,738	$483,736	$449,332	$400,390
Units					
Single Family	361	473	629	498	482
Multiple Family	199	277	272	273	55
Total	560	750	901	771	537

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
San Benito County
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$157,664	$134,320	$115,954	$128,528	$95,398
Non-Residential	22,277	22,982	36,685	112,144	30,920
Total	$179,941	$157,302	$152,639	$240,672	$126,318
Units					
Single Family	539	457	328	288	242
Multiple Family	8	0	0	112	0
Total	547	457	328	400	242

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

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APPENDIX E

MONTEREY COUNTY INVESTMENT POOL

The following information concerning the Monterey County Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector of the County (the "Treasurer"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. None of the District, the Municipal Advisor or the Underwriter have made an independent investigation of the investments in the Investment Pool or made an assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at https://www.countyofmonterey.gov/government/departments-i-z/treasurer-tax-collector/treasury. However, the information presented on such website is not incorporated into this Official Statement by any reference.

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pfm asset management

County of Monterey

Investment Portfolio Compliance Report

May 31, 2025

pfmam.com

PFM Asset Management a division of U.S. Bancorp Asset Management, Inc

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

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Monterey County: Overview of Compliance Requirements

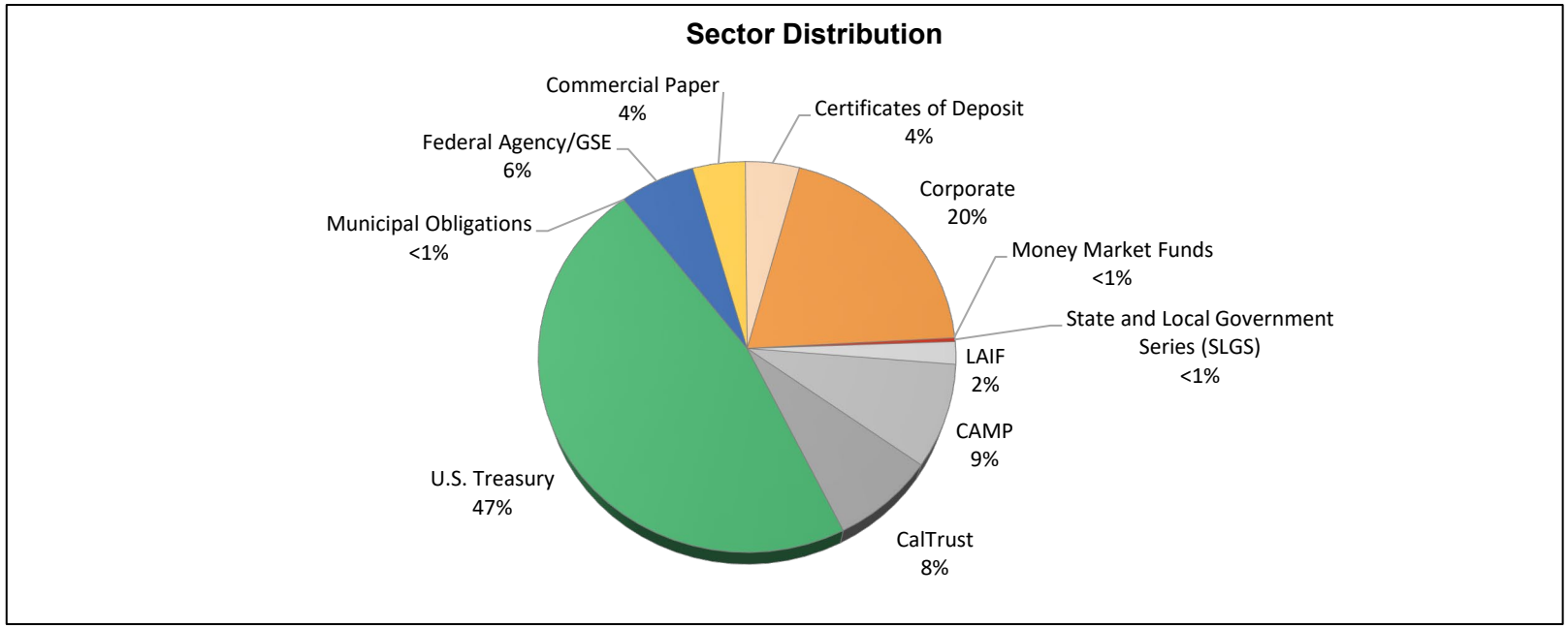
May 31, 2025

Sector	Sector Limitation	Maximum Per Issuer	Maximum Maturity	Minimum Credit Requirements
LAIF	$75 million	$75 million	N/A	None
CAMP	20%	20%	N/A	None
CalTrust	20%	20%	N/A	None
Monterey County Bonds	100%	10%	5 years	None
U.S. Treasury	100%	100%	5 years	None
Municipal Obligations	100%	10%	5 years	A by NRSRO
Federal Agency/GSE	100%	100%	5 years	None
Supranationals	30%	30%	5 years	AA by NRSRO
Bankers' Acceptance	40%	5%	180 days	A-1/P-1 by NRSRO
Commercial Paper	40%	5%	270 days	A-1/P-1 by NRSRO
Negotiable CD	30%	5%	5 years	A or A-1 by NRSRO
Reverse Repo/Securities Lending	20%	N/A	92 days	None
Repurchase Agreements	20%	N/A	1 year	None
Corporate	30%	5%	5 years	A by NRSRO
Asset Backed Securities	20%	5%	5 years	AA by NRSRO
Money Market Funds	20%	10%	N/A	AAA by 2 NRSRO/Advisor Req.
Collateralized Deposits/Inv. Contracts	100%	100%	5 years	Insured/Collateralized

Monterey County: Sector Allocations

May 31, 2025

Sector	Market Value	Sector Limit	Current Allocation
LAIF	$60,400,930	$75 million	1.9%
CAMP	$280,000,000	20%	8.6%
CalTrust	$254,128,849	20%	7.8%
Monterey County Bonds	None	100%	None
U.S. Treasury	$1,523,092,225	100%	46.8%
Municipal Obligations	$132,359	100%	0.0%
Federal Agency/GSE	$198,231,046	100%	6.1%
Supranationals	None	30%	None
Bankers' Acceptance	None	40%	None
Commercial Paper	$138,517,720	40%	4.3%
Certificates of Deposit	$141,985,818	30%	4.4%
Reverse Repo/Securities Lending	None	20%	None
Repurchase Agreements	None	20%	None
Corporate	$648,307,934	30%	19.9%
Asset Backed Securities	None	20%	None
Money Market Funds	$143,118	20%	0.0%
State and Local Government Series (SLGS)	$10,060,764	100%	0.3%
Totals	**$3,255,000,763**		**100.0%**

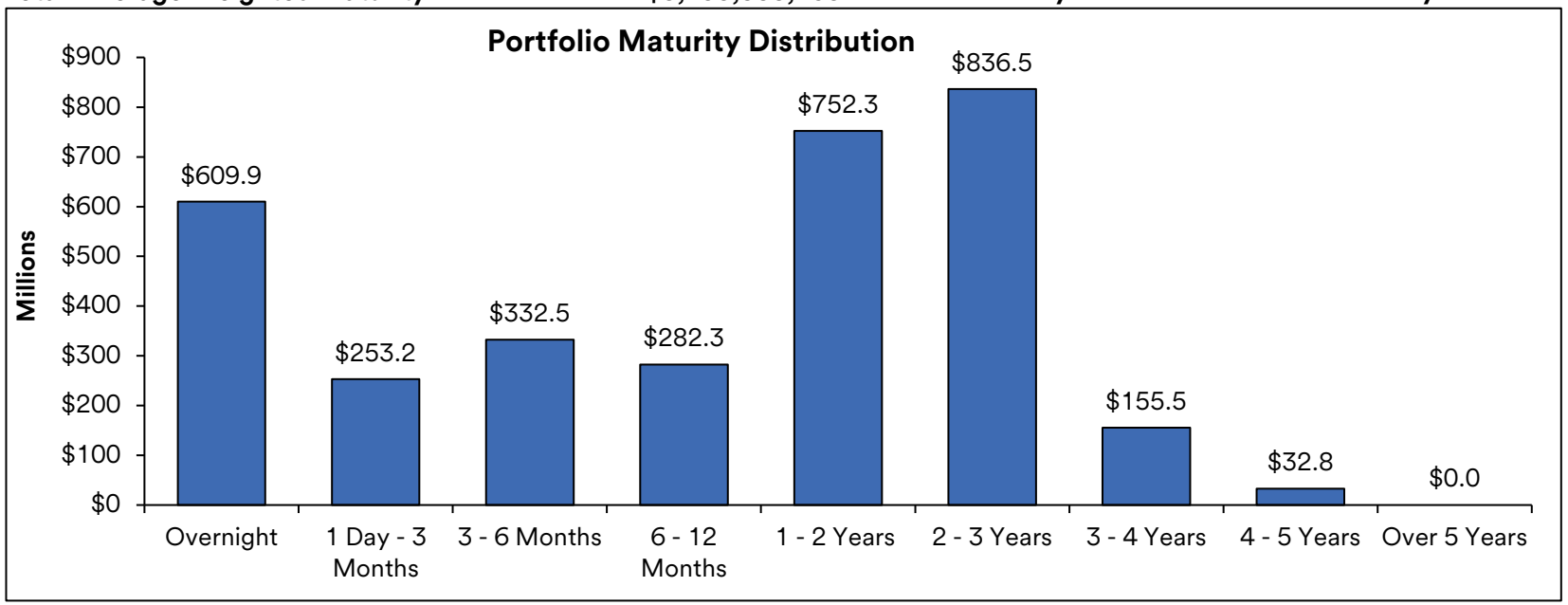


Detail may not add to total due to rounding.

Monterey County: Maturity Limits

May 31, 2025

Sector	Market Value	Maximum Maturity	Current Maximum
LAIF	$60,400,930	N/A	1 day
CAMP	$280,000,000	N/A	1 day
CalTrust	$254,128,849	N/A	1 day
Monterey County Bonds	None	5 years	-
U.S. Treasury	$1,523,092,225	5 years	4.8 years
Municipal Obligations	$132,359	5 years	1.1 years
Federal Agency/GSE	$198,231,046	5 years	4.1 years
Supranationals	None	5 years	-
Bankers' Acceptance	None	180 days	-
Commercial Paper	$138,517,720	270 days	243 days
Negotiable CD	$141,985,818	5 years	1.1 years
Reverse Repo/Securities Lending	None	92 days	-
Repurchase Agreements	None	1 year	-
Corporate	$648,307,934	5 years	5.0 years
Asset-Backed Securities	None	5 years	-
Money Market Funds	$143,118	N/A	1 day
State and Local Government Series	$10,060,764	N/A	1 day
Collateralized Deposits/Inv. Contracts	None	5 years	-
Total/Average Weighted Maturity	**$3,255,000,763**	**2 years**	**1.31 years**



Detail may not add to total due to rounding.

Monterey County: Issuer Compliance

May 31, 2025

Issuer	Total	Current Issuer Allocation	Issuer Limit
United States Treasury	$1,523,092,225	46.8%	100%
FHLB	$157,533,487	4.8%	100%
FHLMC	$40,697,559	1.3%	100%
Adobe Inc	$10,320,545	0.3%	5%
Alphabet Inc	$9,749,400	0.3%	5%
Amazon.com, Inc.	$35,185,460	1.1%	5%
American Express	$199,894	< 0.1%	5%
American Honda Finance	$9,009,606	0.3%	5%
Apple	$24,909,336	0.8%	5%
Astrazeneca PLC	$10,236,767	0.3%	5%
Automatic Data Processing	$9,994,900	0.3%	5%
Bank of America Corp	$19,320,695	0.6%	5%
Bank of Montreal Chicago	$25,010,000	0.8%	5%
Bank of New York Mellon Corporation	$69,950	< 0.1%	5%
Bank of Tokyo Mitsubishi	$40,043,220	1.2%	5%
Blackrock	$10,258,464	0.3%	5%
BMW US Capital LLC	$20,072,300	0.6%	5%
BNP Paribas NY	$49,228,000	1.5%	5%
Bristol-Myers Squibb Co	$19,731,100	0.6%	5%
Caterpillar Inc	$20,144,950	0.6%	5%
Charles Schwab	$9,725,000	0.3%	5%
Cisco Systems	$40,395,835	1.2%	5%
Citigroup	$17,510,107	0.5%	5%
Coca-Cola	$9,519,200	0.3%	5%
Colgate-Palmolive Co	$279,878	< 0.1%	5%
Commonwealth Bank of Australia	$11,995,870	0.4%	5%
Credit Agricole CIB NY	$49,246,500	1.5%	5%
Deere and Company	$29,324,734	0.9%	5%
Eli Lilly & Co	$15,200,545	0.5%	5%
Emerson Electric Co	$80,000	< 0.1%	5%
General Dynamics Corporation	$9,691,600	0.3%	5%
Goldman Sachs	$19,860,700	0.6%	5%
Hershey Company	$14,769,978	0.5%	5%
Home Depot Inc	$19,973,310	0.6%	5%
Honeywell International Inc.	$17,336,644	0.5%	5%
Hormel Foods	$10,084,300	0.3%	5%
IBM Corp	$185,298	< 0.1%	5%
Johnson & Johnson	$10,496,930	0.3%	5%

Monterey County: Issuer Compliance

May 31, 2025

Issuer	Total	Current Issuer Allocation	Issuer Limit
JP Morgan	$5,033,109	0.2%	5%
Lockheed Martin Corp	$57,702	< 0.1%	5%
Los Angeles Unified School District	$77,698	< 0.1%	10%
National Secs Clearing	$342,431	< 0.1%	5%
Mars Inc	$70,432	< 0.1%	5%
Mastercard Inc	$5,000,320	0.2%	5%
Merck	$4,932,587	0.2%	5%
Meta Platforms Inc	$245,958	< 0.1%	5%
Microsoft Corp Notes	$13,437,752	0.4%	5%
Northern Trust Corp	$10,965,130	0.3%	5%
Paccar Financial Corp	$12,230,315	0.4%	5%
PepsiCo	$5,225,797	0.2%	5%
Pfizer	$6,039,049	0.2%	5%
PNC Bank	$14,470,442	0.4%	5%
Rabobank Nederland NY	$475,725	< 0.1%	5%
Royal Bank of Canada NY	$25,016,750	0.8%	5%
San Juan USD	$54,661	< 0.1%	10%
State Street	$44,358,241	1.4%	5%
Target Corp	$9,758,115	0.3%	5%
Natixis NY	$29,991,600	0.9%	5%
Texas Instruments Inc.	$10,058,200	0.3%	5%
Toronto Dominion Bank NY	$42,513,403	1.3%	5%
Toyota Motor Credit	$24,564,189	0.8%	5%
Truist Financial Corp	$84,903	< 0.1%	5%
UnitedHealth Group Inc	$19,679,200	0.6%	5%
Visa Inc	$9,934,400	0.3%	5%
Walmart Stores	$26,252,422	0.8%	5%
Wells Fargo	$8,912,288	0.3%	5%
State and Local Government Series (SLGS)	$10,060,764	0.3%	100%
CAMP	$280,000,000	8.6%	20%
LAIF	$60,400,930	1.9%	$75 Million
CalTrust	$254,128,849	7.8%	20%
Morgan Stanley	$143,118	< 0.1%	10%
Grand Total	**$3,255,000,763**	**100.0%**	

Detail may not add to total due to rounding.

Certificate of Compliance

During the reporting period for the month ended May 31, 2025, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.*

- The report was prepared using the month-end portfolio market value information provided by Monterey County.
- The report excludes funds in the County's Wells Fargo and Bank of America checking accounts.
- Using the CUSIPs provided by the County, issuer information and credit ratings were verified by PFMAM for compliance purposes.
- The report is for the purposes indicated above and it is not intended to provide specific investment advice or recommendations.
- Credit quality compliance is based on ratings as of purchase date.

County Comments

- County Comments:

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

_____

Authorized Officer

SPECIMEN