

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Refunding Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds. See “TAX MATTERS” herein.*

**\$11,915,000**  
**SAN CARLOS SCHOOL DISTRICT**  
**(SAN MATEO COUNTY, CALIFORNIA)**  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2023**

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

*This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2023 (the “Refunding Bonds”), are being issued by the San Carlos School District (the “District”), located in the County of San Mateo, California (the “County”), (i) to refund a portion of the outstanding San Carlos School District (San Mateo County, California) General Obligation Bonds, Election of 2012, Series 2013, and (ii) to pay costs of issuance of the Refunding Bonds. The Refunding Bonds are being issued under the laws of the State of California (the “State”) and pursuant to a resolution of the Board of Education of the District, adopted on July 13, 2023.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds, all as more fully described herein. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS” herein.

The Refunding Bonds will be issued as current interest bonds, in denominations of \$5,000 principal amount or any integral multiple thereof, as set forth on the inside front cover page hereof. Interest on the Refunding Bonds is payable on each April 1 and October 1 to maturity or earlier redemption thereof, commencing October 1, 2023. Principal of the Refunding Bonds is payable on October 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

The Refunding 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 The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Refunding Bonds. Individual purchases of the Refunding Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Refunding Bonds purchased by them. See “THE REFUNDING BONDS – Form and Registration” herein. Payments of the principal of and interest on the Refunding Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and transfer agent with respect to the Refunding Bonds, to DTC for subsequent disbursement to DTC participants, who will remit such payments to the beneficial owners of the Refunding Bonds. See “THE REFUNDING BONDS – Payment of Principal and Interest” herein.

**The Refunding Bonds are subject to redemption prior to maturity as described herein. See “THE REFUNDING BONDS – Redemption” herein.**

*The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Kutak Rock LLP, Irvine, California, as counsel to the Underwriter. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about August 17, 2023.*

**RAYMOND JAMES**

Dated: August 1, 2023.

**MATURITY SCHEDULE**  
**BASE CUSIP<sup>†</sup>: 797138**

**\$11,915,000**  
**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**General Obligation Refunding Bonds, Series 2023**

Maturity (October 1,)	Principal Amount	Interest Rate	Yield	CUSIP <sup>†</sup> Suffix
2023	\$ 215,000	5.000%	3.050%	KS2
2025	155,000	5.000	2.910	KT0
2026	195,000	5.000	2.770	KU7
2027	235,000	5.000	2.640	KV5
2028	280,000	5.000	2.600	KW3
2029	325,000	5.000	2.530	KX1
2030	375,000	5.000	2.480	KY9
2031	430,000	5.000	2.440	KZ6
2032	490,000	5.000	2.450	LA0
2033	550,000	5.000	2.530	LB8
2034	620,000	5.000	2.650 <sup>C</sup>	LC6
2035	695,000	5.000	2.730 <sup>C</sup>	LD4
2036	770,000	5.000	2.850 <sup>C</sup>	LE2
2037	850,000	5.000	2.980 <sup>C</sup>	LF9
2038	945,000	5.000	3.090 <sup>C</sup>	LG7
2039	1,035,000	5.000	3.180 <sup>C</sup>	LH5
2040	1,135,000	5.000	3.270 <sup>C</sup>	LJ1
2041	1,250,000	5.000	3.370 <sup>C</sup>	LK8
2042	1,365,000	4.000	4.000	LL6

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<sup>C</sup> Yield to call at par on October 1, 2033.

**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**

**BOARD OF EDUCATION**

Sarah Cassanego, *President*  
Ben Kornell, *Vice President*  
Neil Layton, *Clerk*  
Tracy Park, *Member*  
Sarah Johnson Kinahan, *Member*

**DISTRICT ADMINISTRATORS**

Dr. Jennifer Frentress, Ed.D., *Superintendent*  
Denice LaCroix, *Chief Financial Officer*

**PROFESSIONAL SERVICES**

**Municipal Advisor**

Keygent LLC  
*El Segundo, California*

**Bond Counsel and Disclosure Counsel**

Orrick, Herrington & Sutcliffe LLP  
*Irvine, California*

**Paying Agent, Registrar, Transfer Agent and Escrow Bank**

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

**Verification Agent**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

This Official Statement does not constitute an offering of any security other than the original offering of the Refunding Bonds by 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 as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Refunding Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Refunding Bonds 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.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed by the District to be reliable, 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 Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. 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 those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

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

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Refunding Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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**\$11,915,000**  
**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**General Obligation Refunding Bonds, Series 2023**

**INTRODUCTION**

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

**General**

This Official Statement, which includes the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale of \$11,915,000 aggregate principal amount of San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2023 (the “Refunding Bonds”), all as indicated on the inside cover page hereof, to be offered by the San Carlos School District (the “District”).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See “OTHER LEGAL MATTERS – Continuing Disclosure” and APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

**The Refunding Bonds are general obligation bonds of the District secured by and payable from *ad valorem* taxes to be levied upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). The Refunding Bonds are not a debt or obligation of the County of San Mateo (the “County”) or of the general fund of the District. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS.”**

The purpose of this Official Statement is to supply information to prospective buyers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds, the resolution of the Board of Education of the District providing for the issuance of the Refunding Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Refunding Bonds are available from the District by contacting: San Carlos School District, 1200 Industrial Road, Unit 9, San Carlos, California 94070, Attention: Chief Financial Officer. The District may impose a charge for copying, handling and mailing such requested documents.

## **The District**

The District was established in 1916 and provides transitional kindergarten through eighth grade educational services to residents of the cities of San Carlos and Redwood City as well as certain unincorporated areas of the County, encompassing approximately four square miles in the southern portion of the County of San Mateo (the “County”), midway between the cities of San Francisco and San Jose.

The District currently operates eight schools, four of which serve transitional kindergarten through third grade, two of which serve fourth and fifth grades and two of which serve sixth through eighth grade. The District also operates preschools at each of the four school sites serving transitional kindergarten through third grade. An independent charter school also operates in the District. Total enrollment in the District operated schools was approximately 2,633 students in fiscal year 2021-22 and approximately 2,700 students in fiscal year 2022-23. As of the preparation of the District’s fiscal year 2023-24 original adopted budget (the “Fiscal Year 2023-24 Budget”), total enrollment in the District operated schools is budgeted to be approximately 2,740 students in fiscal year 2023-24. The District operates under the jurisdiction of the San Mateo County Superintendent of Schools. The District operates under the jurisdiction of the San Mateo County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2022-23 is approximately \$14.06 billion.

For additional information about the District, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET” and APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

For specific information on the impact of the Coronavirus Disease 2019 (“COVID-19”) pandemic (i) on the security and source of payment for the Refunding Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – Assessed Valuation of Property Within the District” and “– Tax Charges and Delinquencies,” and (ii) on the District’s operations and finances, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak.”

## **THE REFUNDING BONDS**

### **Authority for Issuance; Plan of Refunding**

***Authority for Issuance.*** The Refunding Bonds are issued by the District pursuant to the Constitution of the State of California (the “California Constitution”) and laws of the State, including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable provisions of law, and pursuant to a resolution adopted by the Board of Education of the District on July 13, 2023, providing for the issuance of the Refunding Bonds (the “Resolution”).

***Plan of Refunding.*** Proceeds from the Refunding Bonds will be used (i) to refund a portion of the outstanding San Carlos School District (San Mateo County, California) General Obligation Bonds, Election of 2012, Series 2013 (the “Series 2013 Bonds”), and (ii) to pay costs of issuance of the Refunding Bonds. See “– Plan of Refunding” and “– Estimated Sources and Uses of Funds” below.

Pursuant to the Resolution, the term “Bonds” means all bonds, including the Refunding Bonds, of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including bonds approved by the voters of the District on June 3, 1997, November 8, 2005 and November 6, 2012.



## **Form and Registration**

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

## **Payment of Principal and Interest**

**Interest.** The Refunding Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing on October 1, 2023, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Refunding Bond will bear interest from the Interest Payment Date of such Refunding Bond next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date for such Refunding Bond (the “Record Date”) and on or prior to the succeeding Interest Payment Date for such Refunding Bond, in which event it will bear interest from such Interest Payment Date for such Refunding Bond, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date for such Refunding Bond, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Refunding Bond, interest is in default on any outstanding Refunding Bonds, such Refunding Bond will bear interest from the Interest Payment Date for such Refunding Bond to which interest has previously been paid or made available for payment on the outstanding Refunding Bonds.

**Payment of Refunding Bonds.** The principal of the Refunding Bonds is payable in lawful money of the United States of America to the registered owner thereof (the “Owner”), upon the surrender thereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., as paying agent (the “Paying Agent”) at the maturity thereof or upon redemption prior to maturity.

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

## **Redemption**

**Optional Redemption.** The Refunding Bonds maturing on or before October 1, 2033 are not subject to optional redemption prior to their respective stated maturity dates. The Refunding Bonds maturing on or after October 1, 2034 are subject to redemption prior to their respective stated maturity dates, at the option

of the District, from any source of available funds, as a whole or in part on any date on or after October 1, 2033, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

***Selection of Refunding Bonds for Redemption.*** If less than all of the Refunding Bonds, if any, are subject to optional redemption and are called for redemption, such Refunding Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Refunding Bonds of any given maturity are designated for redemption, the Paying Agent will select the portions of such Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Refunding Bond will be deemed to consist of individual Refunding Bonds of denominations of \$5,000 principal amount, each, which may be separately redeemed.

***Notice of Redemption.*** Notice of redemption of any Refunding Bond will be given by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Refunding Bonds. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Each notice of redemption is required to contain the following information: (i) the date of such notice; (ii) the name of the Refunding Bonds and the date of issue of such Refunding Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Refunding Bonds to be redeemed; (vi) if less than all of the Refunding Bonds of any maturity are to be redeemed, the distinctive numbers of the Refunding Bonds of each maturity to be redeemed; (vii) in the case of Refunding Bonds redeemed in part only, the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed; (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure to receive such notice of redemption, nor any defect in such notice is to affect the sufficiency of the proceedings for the redemption of such Refunding Bonds called for redemption or the cessation of interest on the date fixed for redemption.

***Effect of Notice of Redemption.*** When notice of redemption has been given substantially as described above, and when the redemption price of the Refunding Bonds called for redemption is set aside for the purpose of redeeming the Refunding Bonds, the Refunding Bonds designated for redemption become due and payable on the specified redemption date and interest ceases to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds are to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date are entitled to payment of such Refunding Bonds and the redemption premium thereon, if any, only from monies on deposit for such purpose in the interest and sinking fund of the District established for the Refunding Bonds within the County treasury (the “Interest and Sinking Fund”) or the trust fund established for such purpose. All Refunding Bonds redeemed are to be cancelled forthwith by the Paying Agent and are not to be reissued.

***Right to Rescind Notice.*** The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Refunding Bonds so called for redemption. Any optional redemption and

notice thereof is to be rescinded if for any reason on the date fixed for redemption monies are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Refunding Bonds called for redemption. Notice of rescission of redemption is to be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Refunding Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice does not affect the validity of the rescission.

***Funds for Redemption.*** Prior to or on the redemption date of any Refunding Bonds there is to be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided in the Resolution, the Refunding Bonds designated in the notice of redemption. Such monies are to be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all monies in the Interest and Sinking Fund are to be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date is to be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of the redemption price of the Refunding Bonds, the monies are to be held in or returned or transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of Bonds of the District, the monies are to be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such Bonds of the District are at such time outstanding, the monies are to be transferred to the general fund of the District as provided and permitted by law.

### **Defeasance of Refunding Bonds**

The Resolution provides that if at any time the District will pay or cause to be paid or there will otherwise be paid to the Owners of any or all of the outstanding Refunding Bonds all or any part of the principal of and interest and premium, if any, on the Refunding Bonds at the times and in the manner provided in the Resolution and in the Refunding Bonds, or as described in the following paragraph, or as otherwise provided by law consistent with the provisions of the Resolution, then such Owners of such Refunding Bonds will cease to be entitled to the obligation of the District and of the County to levy and collect property taxes to pay the Refunding Bonds as provided in the Resolution, and such obligation and all agreements and covenants of the District to such Owners under the Resolution and under the Refunding Bonds will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by the Refunding Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the Resolution described below under “– Unclaimed Monies” will apply.

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

## Unclaimed Monies

Any money held in any fund created pursuant to the Resolution, or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Refunding Bonds and remaining unclaimed for two years after the principal of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; or, if no such Bonds of the District are at such time outstanding, the monies are required to be transferred to the general fund of the District as provided and permitted by law.

## Plan of Refunding

The Refunding Bonds will be issued (i) to refund a portion of the outstanding Series 2013 Bonds, maturing on October 1 in the years 2025 through 2033, inclusive, 2037 and 2042 (the “Refunded Bonds”), and (ii) to pay costs of issuance of the Refunding Bonds.

### Series 2013 Bonds to be Refunded

Maturity Date (October 1,)	Principal Amount	Interest Rate	Redemption Date	CUSIP <sup>†</sup> Suffix
2025	\$205,000	4.000%	November 15, 2023	797138 GE8
2026	245,000	5.000	November 15, 2023	797138 GF5
2027	290,000	5.000	November 15, 2023	797138 GG3
2028	340,000	5.000	November 15, 2023	797138 GH1
2029	395,000	5.000	November 15, 2023	797138 GJ7
2030	450,000	5.000	November 15, 2023	797138 GK4
2031	510,000	3.625	November 15, 2023	797138 GL2
2032	570,000	3.750	November 15, 2023	797138 GM0
2033	630,000	3.750	November 15, 2023	797138 GX6
2037	3,300,000	5.000	November 15, 2023	797138 GN8
2042	6,290,000	4.125	November 15, 2023	797138 GP3

The maturities of the District’s outstanding Series 2013 Bonds listed in the table below will not be refunded with proceeds of the Refunding Bonds and will remain outstanding.

### Unrefunded Series 2013 Bonds

Maturity Date (October 1,)	Principal Amount	Interest Rate	CUSIP <sup>†</sup> Suffix
2023	\$135,000	3.000%	797138 GC2
2024	170,000	4.000	797138 GD0

The District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”) will enter into the Escrow Agreement, dated as of August 1, 2023 (the “Escrow Agreement”), with respect to the Refunded Bonds, pursuant to which the District will deposit a portion of the proceeds from the sale of the Refunding Bonds into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Refunded Bonds, which will be held pursuant to the Escrow Agreement, will be used to purchase the aggregate principal amount of non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government

<sup>†</sup> CUSIP numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such CUSIP numbers.

Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America (the “Defeasance Securities”), the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to redeem the Refunded Bonds on November 15, 2023 (the “Redemption Date”) at a redemption price (the “Redemption Price”) equal to the principal amount of the Refunded Bonds, together with interest accrued thereon to the Redemption Date, without premium. See “ESCROW VERIFICATION” herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Refunding Bonds.

## **Estimated Sources and Uses of Funds**

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

### **SAN CARLOS SCHOOL DISTRICT (San Mateo County, California) General Obligation Refunding Bonds, Series 2023**

#### **Estimated Sources and Uses of Funds**

##### Sources of Funds:

Aggregate Principal Amount of Refunding Bonds	\$11,915,000.00
Plus Original Issue Premium	1,703,165.30
Total Sources of Funds	<u>\$13,618,165.30</u>

##### Uses of Funds:

Escrow Fund	\$13,406,901.97
Underwriter’s Discount	44,681.25
Costs of Issuance <sup>(1)</sup>	166,582.08
Total Uses of Funds	<u>\$13,618,165.30</u>

<sup>(1)</sup> Includes legal fees, municipal advisor fees, rating agency fees, verification agent fees, printing fees and other miscellaneous expenses.

## Debt Service

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

**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**General Obligation Refunding Bonds, Series 2023**

Period Ending (October 1,)	Principal	Interest	Total Debt Service
2023	\$215,000.00	\$71,145.56	\$286,145.56
2024	-	571,350.00	571,350.00
2025	155,000.00	571,350.00	726,350.00
2026	195,000.00	563,600.00	758,600.00
2027	235,000.00	553,850.00	788,850.00
2028	280,000.00	542,100.00	822,100.00
2029	325,000.00	528,100.00	853,100.00
2030	375,000.00	511,850.00	886,850.00
2031	430,000.00	493,100.00	923,100.00
2032	490,000.00	471,600.00	961,600.00
2033	550,000.00	447,100.00	997,100.00
2034	620,000.00	419,600.00	1,039,600.00
2035	695,000.00	388,600.00	1,083,600.00
2036	770,000.00	353,850.00	1,123,850.00
2037	850,000.00	315,350.00	1,165,350.00
2038	945,000.00	272,850.00	1,217,850.00
2039	1,035,000.00	225,600.00	1,260,600.00
2040	1,135,000.00	173,850.00	1,308,850.00
2041	1,250,000.00	117,100.00	1,367,100.00
2042	1,365,000.00	54,600.00	1,419,600.00
Total:	<u>\$11,915,000.00</u>	<u>\$7,646,545.56</u>	<u>\$19,561,545.56</u>

Source: Raymond James & Associates, Inc.

## Outstanding Bonds

In addition to the Refunding Bonds (and not accounting for the planned refunding of the Refunded Bonds with proceeds of the Refunding Bonds), the District has eight series of general obligation bonds outstanding, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District.

**1997 Authorization.** At an election held on June 3, 1997, the District received authorization by a two-thirds majority of votes cast by eligible voters within the District to issue bonds of the District in an aggregate principal amount not to exceed \$22,000,000 to improve health and safety conditions of neighborhood schools, to relieve overcrowding and to replace inadequate or unsafe electronic, heating and structural systems, to improve and repair deteriorating roofs, plumbing and sewer systems, to eliminate hazards from asbestos, to upgrade children's rest rooms, and to construct and modernize school facilities (collectively, the "1997 Authorization"). On October 8, 1997, the County, on behalf of the District, issued the San Carlos School District (San Mateo County, California) 1997 General Obligation Bonds, Series A (the "Series 1997 Bonds") in the aggregate principal amount of \$3,000,000 as its first series of bonds issued under the 1997 Authorization. On October 6, 1999, the County, on behalf of the District, issued the San

Carlos School District (San Mateo County, California) General Obligation Bonds, Series 1999 (the “Series 1999 Bonds”), in the aggregate principal amount of \$8,750,000, as its second series of bonds issued under the 1997 Authorization. On February 24, 2000, the County, on behalf of the District, issued the San Carlos School District (San Mateo County, California) General Obligation Bonds, Series 2000 (the “Series 2000 Bonds”), in the aggregate principal amount of \$10,000,000, as its third series of bonds issued under the 1997 Authorization. On April 14, 2005, the County, on behalf of the District, issued the San Carlos School District (San Mateo County, California) General Obligation Bonds, Election of 1997, Series 2005 (the “Series 2005 Bonds”), in the aggregate principal amount of \$250,000 which was the fourth and final series of authorized bonds to be issued under the 1997 Authorization.

**2005 Authorization.** At an election held on November 8, 2005, the District received authorization by at least 55% of votes cast by eligible voters within the District to issue bonds of the District in an aggregate principal amount not to exceed \$38,000,000 to finance specific construction and modernization projects approved by the voters, to make specific repairs and improvements at each of the District’s six school campuses, including classroom renovations, repair and upgrade of roofs, electrical, plumbing, heating, sewers, and other major systems, and construction of new classrooms at Tierra Linda Campus (the “2005 Authorization”). On May 11, 2006, the County, on behalf of the District, issued the San Carlos School District (San Mateo County, California) General Obligation Bonds, Election of 2005, Series 2006A, in the initial aggregate principal amount of \$32,818,664.75 (the “Series 2006 Bonds”) as its first series of authorized bonds to be issued under the 2005 Authorization. On July 1, 2008, the County, on behalf of the District, issued the San Carlos School District (San Mateo County, California) General Obligation Bonds, Election of 2005, Series 2008 (the “Series 2008 Bonds”) in the initial aggregate principal amount of \$5,181,332.45, as its second and final series of authorized bonds to be issued under the 2005 Authorization.

**2012 Authorization.** At an election held on November 6, 2012, the District received authorization by at least 55% of votes cast by eligible voters within the District to issue bonds of the District in an aggregate principal amount not to exceed \$72,000,000 to improve, repair and equip elementary and middle school facilities, including upgrading science and computer labs, libraries, classrooms and schools, adding classrooms and schools on existing sites to reduce overcrowding, renovating schools to meet health and safety standards, providing computers and other instructional technology equipment and infrastructure, and improving energy efficiency (the “2012 Authorization”). On June 13, 2013, the District issued \$15,000,000 aggregate principal amount of the Series 2013 Bonds as its first series of bonds issued under the 2012 Authorization. On October 22, 2014, the District issued \$20,997,899.30 aggregate initial principal amount of its General Obligation Bonds, Election of 2012, Series 2014 (the “Series 2014 Bonds”) as its second series of bonds issued under the 2012 Authorization. On November 24, 2015, the District issued \$35,999,653.75 aggregate initial principal amount of its General Obligation Bonds, Election of 2012, Series 2015 (the “Series 2015 Bonds”), as its third and final series of the authorized bonds to be issued under the 2012 Authorization.

**Refunding Bonds.** On April 14, 2005, the District issued its 2005 General Obligation Refunding Bonds (the “Series 2005 Refunding Bonds”) in the aggregate principal amount of \$21,415,000, to advance refund all of the outstanding amounts of the Series 1997 Bonds, the Series 1999 Bonds and the Series 2000 Bonds.

On September 13, 2012, the District issued the San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), in the aggregate principal amount of \$27,930,000. Proceeds of the Series 2012 Refunding Bonds were used to defease and refund a portion of the Series 2006 Bonds. On June 13, 2013, the District issued the San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2013, in the aggregate principal amount of \$7,585,000 (the “Series 2013 Refunding Bonds”). Proceeds of the Series 2013 Refunding Bonds were used to advance refund and defease the outstanding Series 2006 Bonds.

On November 24, 2015, the District issued its General Obligation Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) in the aggregate principal amount of \$11,275,000, to refund and defease, on a current basis, the outstanding Series 2005 Refunding Bonds.

On July 20, 2016, the District issued its General Obligation Refunding Bonds, Series 2016 (the “Series 2016 Refunding Bonds”) in the aggregate initial principal amount of \$7,596,488.80, to refund, on an advance basis, a portion of the Series 2008 Bonds.

On April 5, 2021, the District issued its General Obligation Refunding Bonds, Series 2021 (the “Series 2021 Refunding Bonds”) in the aggregate principal amount of \$25,301,000, to refund, on a current basis, all of the outstanding Series 2012 Bonds.

A summary of the District’s outstanding general obligation bonded debt is set forth on the following page.

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## Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding general obligation bonds of the District, including the Refunding Bonds, assuming no early optional redemptions.

### SAN CARLOS SCHOOL DISTRICT (San Mateo County, California) General Obligation Bonds – Aggregate Debt Service<sup>(1)</sup>

Period Ending (October 1.)	Series 2005 Bonds	Series 2008 Bonds	Series 2013 Bonds <sup>(3)</sup>	Series 2014 Bonds	Series 2015 Bonds	Series 2015 Refunding Bonds	Series 2016 Refunding Bonds	Series 2021 Refunding Bonds	Refunding Bonds	Aggregate Total Debt Service <sup>(3)</sup>
2023 <sup>(2)</sup>	\$1,375	-	\$140,425	\$313,300	\$1,197,519	\$1,237,913	\$120,500	\$1,378,722	\$286,146	\$4,675,899
2024	2,750	-	176,800	626,600	1,868,038	1,332,325	138,700	2,891,562	571,350	7,608,125
2025	52,750	-	-	956,600	1,653,788	544,575	151,100	3,025,113	726,350	7,110,276
2026	-	-	-	1,011,600	1,721,950	-	163,200	3,162,015	758,600	6,817,365
2027	-	\$215,000	-	1,056,600	1,803,400	-	-	3,315,137	788,850	7,178,987
2028	-	235,000	-	1,106,600	1,883,400	-	-	3,461,308	822,100	7,508,408
2029	-	260,000	-	1,156,600	1,973,400	-	-	3,618,474	853,100	7,861,574
2030	-	280,000	-	1,211,600	2,063,400	-	-	3,789,423	886,850	8,231,273
2031	-	-	-	1,266,600	2,163,400	-	3,505,000	-	923,100	7,858,100
2032	-	-	-	1,326,600	2,258,400	-	3,590,000	-	961,600	8,136,600
2033	-	-	-	1,386,600	2,368,400	-	3,660,000 <sup>(4)</sup>	-	997,100	8,412,100
2034	-	-	-	1,451,600	2,473,400	-	-	-	1,039,600	4,964,600
2035	-	-	-	1,516,600	2,593,400	-	-	-	1,083,600	5,193,600
2036	-	-	-	1,586,600	2,713,400	-	-	-	1,123,850	5,423,850
2037	-	-	-	1,661,600	2,838,400	-	-	-	1,165,350	5,665,350
2038	-	-	-	1,741,600	2,965,000	-	-	-	1,217,850	5,924,450
2039	-	-	-	1,821,600	3,108,600	-	-	-	1,260,600	6,190,800
2040	-	-	-	1,906,600	3,253,200	-	-	-	1,308,850	6,468,650
2041	-	-	-	2,062,600	3,333,400	-	-	-	1,367,100	6,763,100
2042	-	-	-	2,157,600	3,491,400	-	-	-	1,419,600	7,068,600
2043	-	-	-	3,751,400	3,753,800	-	-	-	-	7,505,200
2044	-	-	-	3,938,800	3,906,000	-	-	-	-	7,844,800
2045	-	-	-	4,118,400	4,076,800	-	-	-	-	8,195,200
Total	<u>\$56,875</u>	<u>\$990,000</u>	<u>\$317,225</u>	<u>\$39,134,300</u>	<u>\$59,461,894</u>	<u>\$3,114,813</u>	<u>\$11,328,500</u>	<u>\$24,641,755</u>	<u>\$19,561,546</u>	<u>\$158,606,906</u>

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> Excludes April 1, 2023 payment.

<sup>(3)</sup> Reflects the refunding of the Refunded Bonds with proceeds of the Refunding Bonds.

<sup>(4)</sup> Matures April 1.

Source: Keygent LLC

## **SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS**

### **General**

In order to provide sufficient funds for repayment of principal and interest when due on the Refunding Bonds, the Board of Supervisors of the County (the "Board of Supervisors") is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Refunding Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County to the District's general fund. When collected, the tax revenues with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure will be deposited by the County in the interest and sinking fund of the District related to such bond measure and established for such Bonds to be used solely for the payment of the principal or redemption price of and interest on such Bonds.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Refunding Bonds.

### **Statutory Lien on Taxes (Senate Bill 222)**

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Refunding Bonds, but also any other bonds of the District payable, as to both 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 XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

### **Pledge of, Lien on and Security Interest in Tax Revenues**

As provided in the Resolution, the District has pledged, and granted a lien on and security interest in, all revenues from the property taxes collected from the levy by the Board of Supervisors with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure and all amounts on deposit in any interest and sinking fund of the District related to such bond measure with respect to the Bonds of such bond measure, in order to secure the payment of the principal or redemption price of and interest on such Bonds. Pursuant to the Resolution, such pledge and grant is valid and binding from the date of the Resolution for the benefit of the Owners of the Bonds and successors thereto. The Resolution provides that the property taxes and amounts held in any interest and sinking fund of the District will be immediately subject to this pledge and grant, and the pledge and grant will constitute a lien and security interest which will immediately attach to (a) the property taxes and (b) the amounts held

in any interest and sinking fund of the District. Pursuant to the Resolution, this pledge and grant will secure the payment of such Bonds and will be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge or grant and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge and grant constitutes an agreement between the District and the Owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge and grant are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

The pledge of and grant of a lien on and security interest in tax revenues provided for in the Resolution specifies that said pledge and grant secures the Refunding Bonds and other general obligations bonds, including refunding bonds, previously issued or that may be issued in the future pursuant to voter-approved measures. Previous general obligation bonds of the District have been issued under resolutions that pledge and grant a lien on and security interest in tax revenues to secure the general obligation bonds and the general obligation refunding bonds issued thereunder, and the District may provide for a similar pledge and grant of a lien on and security interest in tax revenues in resolutions adopted in the future that authorize general obligation bonds and general obligation refunding bonds. The Resolution does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the pledge of and grant of a lien on and security interest in such tax revenues.

### **Property Taxation System**

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

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

### **Assessed Valuation of Property Within the District**

**General.** Taxable property located in the District has a fiscal year 2022-23 assessed value of \$14,063,268,307. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the California Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real

property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

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

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

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2011-12 through 2022-23, each as of the date the equalized assessment roll is established in August of each year.

**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**Assessed Valuations**  
**Fiscal Years 2011-12 through 2022-23**

Fiscal Year	Local Secured	Utility	Unsecured	Total
2011-12	\$6,117,231,605	\$8,907	\$216,806,280	\$6,334,046,792
2012-13	6,353,731,524	8,984	202,796,165	6,556,536,673
2013-14	6,723,219,358	7,723	221,949,704	6,945,176,785
2014-15	7,090,927,753	7,332	214,157,959	7,305,093,044
2015-16	7,619,292,493	167,839	208,588,192	7,828,048,524
2016-17	8,151,815,904	167,146	237,174,177	8,389,157,227
2017-18	8,933,113,738	166,885	245,169,770	9,178,450,393
2018-19	9,707,233,402	166,554	261,559,605	9,968,959,561
2019-20	10,455,906,688	184,209	271,378,261	10,727,469,158
2020-21	11,341,848,968	82,179	274,034,552	11,615,965,699
2021-22	12,214,106,635	82,083	217,048,717	12,431,237,435
2022-23	13,755,159,096	81,820	308,027,391	14,063,268,307

Source: California Municipal Statistics, Inc.

***Risk of Decline in Property Values.*** Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values including potential market declines caused by the effects of a reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, landslide, liquefaction, levee failure, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also “— *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

***Risk of Changing Economic Conditions.*** Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region, and the State. A pandemic, like the COVID-19 pandemic, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of the property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – *Infectious Disease Outbreak*.” In addition, the failure by Congress to increase the federal debt limit could have a material adverse impact on economic conditions, which, in turn, could also have a negative effect on property values in the District. Events resulting in changing economic conditions may also alter the willingness or the ability of local taxpayers to pay *ad valorem* taxes levied to repay the District's Bonds. The District cannot predict whether events that may result in changing economic conditions will occur or the extent that a change in economic conditions will impact assessed value of property in the District or the willingness or ability of local taxpayers to pay *ad valorem* taxes.

***Risk of Climate Change.*** The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency of extreme weather events. The direct risks posed by climate change currently include or are expected to include more extreme heat events, increased incidence of wildfire and drought, rising sea levels, including flooding, changes in precipitation levels, and more intense storms. As greenhouse gas emissions continue to accumulate, climate change will intensify and increase the frequency of such extreme weather events. One or more of such extreme weather events could negatively impact the assessed value of the property within the District. The District cannot predict the timing, extent, or severity of climate change and its impact on property values in the District.

***Risk of Earthquake.*** The District is located in a seismically active region. The most notable earthquake faults in the region include the San Andreas and Hayward faults. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake.

***Risk of Drought.*** Most recently, the State has experienced periods of extreme precipitation, after having experienced severe drought conditions that led to the Governor of California (the “Governor”) declaring a Statewide drought emergency in spring 2021. In March 2023, the Governor proclaimed a state of emergency related to a series of ongoing winter storms that was expanded to include 43 counties in the State. While the Statewide drought emergency is still in effect in all 58 counties, snowfall and precipitation resulting from winter storms have eased drought conditions across the State. As a result, in March 2023, the Governor rolled back drought emergency provisions that are no longer needed while maintaining other measures that support regions and communities that continue to be impacted by drought conditions. The District cannot predict the extent to which drought conditions within the County or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which drought conditions may impact District facilities or the assessed value of taxable property within the District.

***Risk of Wildfire.*** Property damage due to wildfire could result in significant damage to, destruction of, and significant decreases in the assessed value of taxable property within the boundaries of the District, as well as in damage to or destruction of District facilities and property. In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted the County and adjacent counties in recent years include the CZU Lightning Complex Fire. Within the boundaries of the District, no facilities or property was damaged or destroyed by said wildfires or other recent wildfires. The adjacent counties of Santa Clara and Santa Cruz have also been impacted by the wildfires. The District cannot predict the extent to which any future wildfires within the District, the County, or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact District facilities or the assessed value of taxable property within the District.

**Prospective purchasers of the Refunding Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Refunding Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Refunding Bonds in full. However, increases in tax rates may impact the ability or willingness of taxpayers to pay their property taxes. See “ – Tax Charges and Delinquencies” and “ – Teeter Plan” below.**

***Appeals of Assessed Valuation; Blanket Reductions of Assessed Values.*** There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the

base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs. Any base year appeal must be made within four years of the change of ownership or new construction date.

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

In addition, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIII A of the California Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

***Bonding Capacity.*** As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2022-23 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$175.79 million and its net bonding capacity is approximately \$75.13 million (taking into account current outstanding debt before the issuance of the Refunding Bonds and not accounting for the refunding of the Refunded Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

**Assessed Valuation by Jurisdiction.** The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries by political jurisdiction in the City of San Carlos and unincorporated portions of the County for fiscal year 2022-23.

**SAN CARLOS SCHOOL DISTRICT  
(San Mateo County, California)  
Fiscal Year 2022-23 Assessed Valuation by Jurisdiction**

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Redwood City	\$105,767,692	0.75%	\$30,342,534,836	0.35%
City of San Carlos	13,596,798,267	96.68	\$15,447,440,355	88.02%
Unincorporated County of San Mateo	360,702,348	2.56	\$24,488,104,467	1.47%
Total District	\$14,063,268,307	100.00%		
County of San Mateo	\$14,063,268,307	100.00%	\$288,439,496,973	4.88%

Source: California Municipal Statistics, Inc.

**Assessed Valuation by Land Use.** The following table sets forth a distribution of taxable property located in the District on the fiscal year 2022-23 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**SAN CARLOS SCHOOL DISTRICT  
(San Mateo County, California)  
Fiscal Year 2022-23 Assessed Valuation and Parcels by Land Use**

	2022-23 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Commercial/Office	\$1,198,276,371	8.71%	429	4.05%
Industrial	1,461,766,450	10.63	318	3.00
Recreational	15,082,434	0.11	17	0.16
Government/Social/Institutional	13,567,354	0.10	36	0.34
Miscellaneous	41,767,005	0.30	71	0.67
Subtotal Non-Residential	\$2,730,459,614	19.85%	871	8.23%
<b>Residential:</b>				
Single Family Residence	\$8,902,704,957	64.72%	7,747	73.16%
Condominium/Townhouse	1,087,023,557	7.90	1,377	13.00
Hotel/Motel	124,336,598	0.90	8	0.08
2-4 Residential Units	180,373,594	1.31	156	1.47
5+ Residential Units/Apartments	631,281,010	4.59	193	1.82
Subtotal Residential	\$10,925,719,716	79.43%	9,481	89.54%
Vacant Parcels	\$98,979,766	0.72%	237	2.24%
<b>TOTAL</b>	<b>\$13,755,159,096</b>	<b>100.00%</b>	<b>10,589</b>	<b>100.00%</b>

<sup>(1)</sup> Local secured assessed valuation, excluding tax-exempt property.  
Source: California Municipal Statistics, Inc.



***Assessed Valuation of Single-Family Homes.*** The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2022-23, including the average and median per parcel assessed value.

**SAN CARLOS SCHOOL DISTRICT  
(San Mateo County, California)  
Fiscal Year 2022-23 Per Parcel Assessed Valuation of Single Family Homes**

	Number of Parcels	2022-23 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	7,747	\$8,902,704,957	\$1,149,181	\$993,516

2022-23 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	129	1.665%	1.665%	\$11,283,079	0.127%	0.127%
\$100,000 - \$199,999	841	10.856	12.521	120,024,772	1.348	1.475
\$200,000 - \$299,999	309	3.989	16.510	76,904,184	0.864	2.339
\$300,000 - \$399,999	340	4.389	20.898	118,768,243	1.334	3.673
\$400,000 - \$499,999	357	4.608	25.507	160,909,792	1.807	5.480
\$500,000 - \$599,999	382	4.931	30.438	211,085,492	2.371	7.851
\$600,000 - \$699,999	428	5.525	35.962	278,630,763	3.130	10.981
\$700,000 - \$799,999	372	4.802	40.764	277,846,007	3.121	14.102
\$800,000 - \$899,999	348	4.492	45.256	295,562,762	3.320	17.422
\$900,000 - \$999,999	397	5.125	50.381	377,653,981	4.242	21.664
\$1,000,000 - \$1,099,999	383	4.944	55.325	402,135,985	4.517	26.181
\$1,100,000 - \$1,199,999	345	4.453	59.778	396,882,659	4.458	30.639
\$1,200,000 - \$1,299,999	292	3.769	63.547	364,943,976	4.099	34.738
\$1,300,000 - \$1,399,999	248	3.201	66.748	335,363,922	3.767	38.505
\$1,400,000 - \$1,499,999	232	2.995	69.743	336,681,155	3.782	42.287
\$1,500,000 - \$1,599,999	227	2.930	72.673	351,498,629	3.948	46.235
\$1,600,000 - \$1,699,999	259	3.343	76.017	427,260,038	4.799	51.034
\$1,700,000 - \$1,799,999	210	2.711	78.727	367,145,700	4.124	55.158
\$1,800,000 - \$1,899,999	232	2.995	81.722	428,597,982	4.814	59.973
\$1,900,000 - \$1,999,999	221	2.853	84.575	429,551,322	4.825	64.798
\$2,000,000 and greater	1,195	15.425	100.000	3,133,974,514	35.202	100.000
Total	\$7,747,	100.000%		\$8,902,704,957	100.000%	

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

***Largest Secured Taxpayers in District.*** The following table sets forth the 20 taxpayers with the greatest combined ownership of secured taxable property in the District on the fiscal year 2022-23 tax roll, and the secured assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**Largest Fiscal Year 2022-23 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	Percent of Total <sup>(1)</sup>
1.	ARE-San Francisco No. 63 LLC	Industrial	\$622,462,606	4.53%
2.	SC Transit Village LLC, Lessee	Apartments	159,839,061	1.16
3.	Hudson Skyway Landing LLC	Office Building	118,264,511	0.86
4.	San Carlos Partners LLC	Industrial	116,660,200	0.85
5.	ARE-San Francisco No. 92 Holding LLC	Industrial	114,199,200	0.83
6.	Equity One San Carlos LLC	Shopping Center	104,508,405	0.76
7.	SC Landmark Hotels LLC	Hotel	73,613,000	0.54
8.	ARE-San Francisco No. 62 LLC	Industrial	71,493,315	0.52
9.	San Carlos Group VI LLC	Industrial	56,541,504	0.41
10.	ARE-San Francisco No. 93 Holding LLC	Industrial	55,962,500	0.41
11.	Brittan West Owner LLC	Undeveloped	44,370,000	0.32
12.	Cole of Redwood City CA LP	Office Building	42,243,392	0.31
13.	California Water Service Co.	Water Company	41,751,867	0.30
14.	777 Industrial Owner LLC	Industrial	37,995,000	0.28
15.	Carpool Investments C 27 LLC	Apartments	35,546,990	0.26
16.	101 Redwood Shores LLC	Office Building	34,666,666	0.25
17.	1021 Howard Owner LLC	Industrial	33,000,000	0.24
18.	SI 74 LLC	Industrial	27,732,555	0.20
19.	GRM FISC LLC, Lessee	Hotel	27,454,756	0.20
20.	Menlo BCSP 405 Property LLC	Industrial	26,520,000	0.19
			<u>\$1,844,825,528</u>	<u>13.41%</u>

<sup>(1)</sup> The fiscal year 2022-23 local secured assessed valuation is \$13,755,159,096  
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

## **Tax Rates**

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

The rate of tax necessary to pay fixed debt service on the Refunding Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Refunding Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational,

hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Refunding Bonds. Issuance of additional authorized bonds in the future could also cause the tax rate to increase.

**Typical Tax Rate Area.** The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical tax rate area of the District (TRA 11-01). TRA 11-01 comprises approximately 76.11% of the total assessed value of taxable property in the District for fiscal year 2022-23.

**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**Typical Total Tax Rates as Percentage of Assessed Valuation (TRA 11-01)<sup>(1)</sup>**  
**Fiscal Years 2018-19 through 2022-23**

	2018-19	2019-20	2020-21	2021-22	2022-23
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of San Carlos	0.0037	0.0032	0.0023	0.0023	0.0023
Midpeninsula Open Space District	0.0018	0.0016	0.0015	0.0015	0.0013
San Carlos School District	0.0600	0.0604	0.0559	0.0542	0.0487
Sequoia Union High School District	0.0365	0.0340	0.0315	0.0290	0.0286
San Mateo Community College District	0.0175	0.0266	0.0213	0.0227	0.0193
Total Tax Rate	1.1195%	1.1258%	1.1125%	1.1097%	1.1002%

<sup>(1)</sup> Fiscal year 2022-23 assessed valuation of TRA 11-01 is \$10,703,049,026.  
Source: California Municipal Statistics, Inc.

## **Tax Charges and Delinquencies**

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

The Treasurer-Tax Collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$40 fee is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$35 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the Treasurer-Tax Collector. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty and a \$35 fee attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the Treasurer-Tax Collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and

possessory interests of the taxpayer. The Treasurer-Tax Collector may also bring a civil suit against the taxpayer for payment. In light of the financial hardship that many taxpayers experienced due to COVID-19, the Governor issued Executive Order N-61-20, which suspended, until May 6, 2021, the statutory requirements for the imposition of penalties, costs, and interest for the failure to pay property taxes on the secured or unsecured roll, or to pay a supplemental bill provided certain conditions were met.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression 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 a pandemic or a natural or manmade disaster, such as earthquake, drought, flood, fire or toxic dumping. However, the County has adopted the Teeter Plan (defined herein), according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. For more information, see “– Teeter Plan” below. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – *Infectious Disease Outbreak*.” If delinquencies increase substantially as a result of events outside the control of the District, the County has the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

***Secured Tax Charges and Delinquencies within the District.*** The following table sets forth the real property tax charges and corresponding delinquencies for the District's general obligation bond debt service levy, with respect to the property located within the District, for fiscal years 2017-18 through 2021-22. While some counties also provide information on the secured tax charges and corresponding delinquencies for the portion of such county's 1% general fund levy that is allocated to the District with respect to property located in the District as an indication of comparative delinquency rates, the County does not provide such information. The portion of the County's 1% general fund levy that is allocated to the District is not pledged to and does not secure the repayment of the Refunding Bonds. See “– Teeter Plan” below.

**SAN CARLOS SCHOOL DISTRICT  
(San Mateo County, California)  
Secured Tax Charges and Delinquencies  
Fiscal Years 2017-18 through 2021-22**

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amount Delinquent June 30	% Delinquent June 30
2017-18	\$5,716,918.60	\$27,234.01	0.48%
2018-19	5,831,431.09	25,379.72	0.44
2019-20	6,298,640.10	44,580.15	0.71
2020-21	6,322,805.93	43,772.73	0.69
2021-22	6,599,853.95	18,915.87	0.29

<sup>(1)</sup> General obligation bond debt service levy.  
Source: California Municipal Statistics, Inc.

## **Teeter Plan**

The Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the full amount of uncollected taxes levied on the secured tax roll credited to its fund, in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district general obligation bonds on the secured tax roll. There can be no assurances that the County 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 County to levy *ad valorem* property taxes sufficient to pay the Refunding Bonds when due.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. The District is not aware of any plans by the Board of Supervisors to discontinue the Teeter Plan.

## **Direct and Overlapping Debt**

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective June 13, 2023 for debt outstanding as of July 1, 2023. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth 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 set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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

**SAN CARLOS SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**Statement of Direct and Overlapping Bonded Debt**

June 13, 2023

2022-23 Assessed Valuation: \$14,063,268,607

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable<sup>(1)</sup></u>	<u>Debt 7/1/23</u>
San Mateo Community College District	4.876%	\$34,562,922
Sequoia Union High School District	11.168	46,907,037
San Carlos School District	100.000	100,663,118 <sup>(1)</sup>
City of San Carlos	88.020	1,667,979
Midpeninsula Regional Open Space Park District	3.571	2,952,503
Redwood City Redwood Shores Community Facilities District No. 99-1	5.054	309,305
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$187,062,864
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Mateo County Certificates of Participation	4.876%	\$28,765,069
San Mateo County Board of Education Certificates of Participation	4.876	298,411
City of Redwood City General Fund Obligations	0.349	198,529
Midpeninsula Regional Open Space Park District General Fund Obligations	3.571	3,269,986
San Mateo County Mosquito and Vector Control General Fund Obligations	4.876	176,405
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$32,708,400
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
San Carlos Redevelopment Agency (Successor Agency)	90.027%	\$8,033,662
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$8,033,662
COMBINED TOTAL DEBT		\$227,804,926 <sup>(2)</sup>

Ratios to 2022-23 Assessed Valuation:

Direct Debt (\$100,663,118) .....	0.72%
Total Direct and Overlapping Tax and Assessment Debt .....	1.33%
Combined Total Debt .....	1.62%

Ratios to Redevelopment Incremental Valuation (\$1,825,456,727):

Total Overlapping Tax Increment Debt .....	0.44%
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<sup>(1)</sup> Excludes the Refunding Bonds; includes the Refunded Bonds. Also excludes accreted value.

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

Source: California Municipal Statistics, Inc.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Refunding Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the

ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

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

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

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

Although Bond Counsel is of the opinion that interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Refunding Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the

Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Refunding Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

Payments on the Refunding Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Refunding Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Refunding Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Refunding Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.



## **OTHER LEGAL MATTERS**

### **Legal Opinion**

The validity of the Refunding Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Refunding Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Norton Rose Fulbright US LLP, as counsel to the Underwriter.

### **Legality for Investment in California**

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

### **Continuing Disclosure**

The District will covenant under the Continuing Disclosure Certificate to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for fiscal year 2022-23 (such initial Annual Report due no later than April 1, 2024) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made for the benefit of the holders and Beneficial Owners of the Refunding Bonds in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”).

Keygent LLC currently serves as the District’s dissemination agent in connection with each of the District’s prior continuing disclosure undertakings pursuant to the Rule and will serve as dissemination agent in connection with the continuing disclosure undertaking pursuant to the Rule relating to the Refunding Bonds.

### **Litigation**

The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

No litigation is pending or threatened concerning or contesting the validity of the Refunding Bonds or the District’s ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District’s ability to issue and retire the Refunding Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Refunding Bonds or District officials who will sign certifications relating to

the Refunding Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Refunding Bonds.

## **ESCROW VERIFICATION**

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter (defined herein) relating to the computation of projected receipts of principal and interest on the Defeasance Securities, and the projected payments of principal, redemption premium, if any, and interest to retire the Refunded Bonds will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the “Verification Agent”). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

## **MISCELLANEOUS**

### **Rating**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, has assigned its rating of “AA” to the Refunding Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of the rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Refunding Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Refunding Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Refunding Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

### **Professionals Involved in the Offering**

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Refunding Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Refunding Bonds. Keygent LLC, is acting as the District’s municipal advisor (the “Municipal Advisor”) with respect to the Refunding Bonds. Kutak Rock LLP, Irvine, California, is acting as counsel to the Underwriter with respect to the Refunding Bonds. Payment of the fees and expenses of the Municipal Advisor and counsel to the Underwriter is also contingent upon the sale and delivery of the Refunding Bonds.

### **Underwriting**

The Refunding Bonds are being purchased for reoffering to the public by Raymond James & Associates, Inc. (the “Underwriter”), pursuant to the terms of a bond purchase agreement executed on August 1, 2023 (the “Purchase Agreement”), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Refunding Bonds at a price of \$13,573,484.05 (which represents the aggregate principal amount of the Refunding Bonds in the amount of \$11,915,000.00, plus original issue premium in the amount of \$1,703,165.30, and less Underwriter’s discount in the amount of

\$44,681.25). The Purchase Agreement provides that the Underwriter will purchase all of the Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

### **ADDITIONAL INFORMATION**

The purpose of this Official Statement is to supply information to purchasers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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

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

**SAN CARLOS SCHOOL DISTRICT**

By:           /s/ Jennifer Frentress, Ed.D.            
Superintendent

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## **APPENDIX A**

### **INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET**

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*The information in this appendix concerning the operations of the San Carlos School District (the “District”), the District’s finances, and State of California (the “State”) funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the District or from State revenues. The Refunding Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and requirements of the Constitution of the State (the “California Constitution”), and required to be levied by the County of San Mateo (the “County”) on property within the District in an amount sufficient for the timely payment of principal of and interest on the Refunding Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS” in the front portion of this Official Statement.*

## **THE DISTRICT**

### **Introduction**

The District was established in 1916 and provides transitional kindergarten through eighth grade educational services to residents of the cities of San Carlos and Redwood City as well as certain unincorporated areas of the County, encompassing approximately four square miles in the southern portion of the County, midway between the cities of San Francisco and San Jose. The District currently operates eight schools, four of which serve transitional kindergarten through third grade, two of which serve fourth and fifth grades and two of which serve sixth through eighth grade. The District also operates preschools at each of the four school sites serving transitional kindergarten through third grade. An independent charter school also operates in the District. Total enrollment in the District operated schools was approximately 2,633 students in fiscal year 2021-22 and approximately 2,700 students in fiscal year 2022-23. As of the preparation of the District’s fiscal year 2023-24 original adopted budget (the “Fiscal Year 2023-24 Budget”), total enrollment in the District operated schools is budgeted to be approximately 2,740 students in fiscal year 2023-24. The District operates under the jurisdiction of the San Mateo County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2022-23 is approximately \$14.06 billion.

### **Board of Education**

The District is governed by a five-member Board of Education (the “Board of Education”), each member of which is a voting member. The members are elected at-large to four-year terms in alternate slates of two and three, and elections are held every two years. Each December the Board of Education elects a President, a Vice President and a Clerk to serve one-year terms. Current voting members of the Board of Education, together with their office and the date their current term expires, are listed below.

## **SAN CARLOS SCHOOL DISTRICT (County of San Mateo, California)**

### **Board of Education**

Name	Office	Term Expires
Sarah Cassanego	President	December 2026
Ben Kornell	Vice President	December 2026
Neil Layton	Clerk	December 2026
Tracy Park	Member	December 2024
Sarah Johnson Kinahan	Member	December 2024

## **Superintendent and Business Services Personnel**

**General.** The Superintendent of the District is appointed by the Board of Education. The Superintendent reports directly to the Board of Education. The Chief Financial Officer is hired by and reports directly to the Superintendent. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators, including the Chief Financial Officer. The current Superintendent, Dr. Jennifer Frentress, Ed.D., has served in this position since July 1, 2021. The Chief Financial Officer is responsible for management of the District's finances and business operations. Denice LaCroix has served as the Chief Financial Officer since March 1, 2023.

**Dr. Jennifer Frentress, Ed.D., Superintendent.** Dr. Frentress brings over 25 years of experience as a teacher, school, district, state, and national leader in TK-12 public education. In addition to deep district transformation work in Oregon, Washington, DC, and California, Dr. Frentress provided project management and technical assistance to large districts and organizations in several states as part of TK-12 reform funded by the Bill and Melinda Gates Foundation. She also helped launch a startup Edtech company. Before being appointed Superintendent in the District in July 2021, she served as Associate Superintendent of Innovation and Research at San Mateo County Office of Education and Interim Chief Academic Officer at Millbrae School District. Dr. Frentress holds Master's Degrees in Curriculum and School Administration from Eastern Oregon University and George Fox University in Oregon and a Doctorate in Education Leadership from Lewis and Clark College in Oregon. Prior to becoming an educator, Dr. Frentress worked in investment banking.

**Denice LaCroix, Chief Financial Officer.** Denice LaCroix has a degree in Accounting from San Francisco State University and has over 25 years of experience in school business. She served as the Supervisor of Business Services and Interim Chief Business Official for the Millbrae School District. Prior to joining San Carlos School District as the Chief Financial Officer, she served as the Director of Fiscal Services for the Jefferson Elementary School District.

## **Cybersecurity**

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

In the past five years, the District has not experienced a cybersecurity incident. The District educates staff on safe online computing practices and employees utilize security systems to protect against, and have established procedures to respond to, cybersecurity incidents. In the event of a cybersecurity incident, the District currently maintains cyber liability insurance through a joint venture under a joint powers agreement with the San Mateo County Schools Insurance Group. See DISTRICT FINANCIAL MATTERS – Insurance, Risks Pooling and Joint Powers Agreements. There can be no assurance that a future cybersecurity incident or attempted cybersecurity incident would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.



## DISTRICT FINANCIAL MATTERS

### State Funding of Education; State Budget Process

**General.** As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "*Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the California Constitution (see "*Local Property Tax Revenues*"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has budgeted with the assumption it will be an LCFF funded district in fiscal year 2023-24. However, it has for the past two fiscal years been classified as a basic aid district/community funded district and could flip back to being a basic aid district/community funded district in the current fiscal year or in future fiscal years. This status has a big effect on the extent to which decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, can affect the District's revenues and operations. Such affects generally being less than school districts which are low local share contributor LCFF funded districts because the District would likely change back to a basic aid district/community funded district if there were a significant decrease in State legislative appropriations made to fund education. Nevertheless, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, can affect the District's revenues and operations. See "*Allocation of State Funding to School Districts; Local Control Funding Formula*," "*Enrollment, A.D.A. and LCFF*" and "*Other District Revenues – Other State Revenues*" below.

Under Proposition 98, a constitutional and statutory amendment adopted by voters of the State in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the California Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "*Allocation of State Funding to School Districts; Local Control Funding Formula*" for more information.

**State Budget Process.** According to the California Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2023-24 State budget on June 27, 2023, which was amended through a series of legislative bills (as amended, the "2023-24 State Budget").

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a California Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the California Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

**Aggregate State Education Funding.** The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

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

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State did in fiscal years 2019-20 and 2020-21; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the California Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Refunding Bonds, and the District takes no responsibility for informing owners of the Refunding Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

**2023-24 State Budget.** The Governor signed the fiscal year 2023-24 State budget on June 27, 2023, which was amended through a series of legislative bills (as amended, the "2023-24 State Budget"). The 2023-24 State Budget reflects a downturn in revenues and slower revenue growth than previous projections due to declining stock market, high inflation, rising interest rates and layoffs in high-wage sectors. The 2023-24 State Budget projects to address the shortfall in revenues by paying down the State's debt and using one-time surplus funds on one-time commitments. The 2023-24 State Budget includes a package of solutions to bridge an approximately \$31.7 billion shortfall while avoiding deep and damaging program cuts. Specifically, the 2023-24 State Budget shifts approximately \$9.3 billion of spending commitments from the State's general fund to other funds, reduces or pulls back approximately \$8.1 billion in previously approved State general fund spending, delays approximately \$7.9 billion in spending across multiple years, includes approximately \$6.1 billion in additional revenue, primarily from the Managed Care Organization tax as well as internal borrowing from special fund balances not projected for programmatic purposes, and builds in approximately \$340.0 million in trigger reductions that are projected to be restored in the proposed budget for fiscal year 2024-25, assuming sufficient funds at that time. The 2023-24 State Budget avoids new significant ongoing commitments and maintains fiscal discipline by setting aside a record \$37.8 billion in total budgetary reserves. The 2023-24 State Budget notes that a tax filing delay due to unprecedented storms in fiscal year 2022-23 has delayed the projected receipt of \$42.0 billion in State tax receipt to October 2023, including \$28.4 billion from personal income tax and \$13.3 billion from corporation tax, representing nearly one-fourth of the fiscal year 2022-23 total projected personal income tax, and nearly one-third of the fiscal year 2022-23 corporation tax.

The 2023-24 State Budget projects total resources available in fiscal year 2022-23 of approximately \$260.9 billion, including revenues and transfers of approximately \$205.1 billion and a prior year balance of approximately \$55.8 billion, and total expenditures in fiscal year 2022-23 of approximately \$234.6 billion. The 2023-24 State Budget projects total resources available for fiscal year 2023-24 of approximately \$235.0 billion, inclusive of revenues and transfers of approximately \$208.7 billion and a prior year balance of approximately \$26.4 billion. The 2023-24 State Budget projects total

expenditures in fiscal year 2023-24 of approximately \$225.9 billion, inclusive of non-Proposition 98 expenditures of approximately \$147.5 billion and Proposition 98 expenditures of approximately \$78.4 billion. Citing revenue risks and uncertainties, the 2023-24 State Budget includes a historic level of reserves as an important resiliency tool, setting aside a total of \$37.8 billion in fiscal year 2023-24 and allocates reserves as follows: approximately \$22.3 billion in the State Rainy Day Fund (the “State Rainy Day Fund”) for fiscal emergencies, approximately \$10.8 billion in the Proposition 98 Rainy Day Fund (Public School System Stabilization Account) (the “Proposition 98 Rainy Day Fund”), approximately \$900.0 million in the Safety Net Reserve, and approximately \$3.8 billion to the State’s Special Fund for Economic Uncertainties. In addition, the 2023-24 State Budget allocates approximately \$5.3 billion of the State general fund’s projected fund balance in fiscal year 2023-24 to the State’s Reserve for Liquidation of Encumbrances. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues.

The 2023-24 State Budget includes total funding of \$129.2 billion for all K-12 education programs, including \$79.5 billion from the State’s general fund and \$49.7 billion from other funds. The 2023-24 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2023-24 State Budget include the following:

- Proposition 98 Minimum Guarantee. The 2023-24 State Budget reflects Proposition 98 funding levels of \$110.6 billion in fiscal year 2021-22, \$107.4 billion in fiscal year 2022-23, and \$108.3 billion in fiscal year 2023-24. Such funding represents approximately 38.5% of the State’s general fund revenues, plus local property tax revenues. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2023-24 State Budget increased the funding level from approximately 38.2% to approximately 38.5% to increase the percentage of State general fund revenues due to the minimum guarantee.
- Proposition 98 Rainy Day Fund. The 2023-24 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund in fiscal years 2021-22 through 2023-24 for a total account balance of \$10.8 billion at the end of fiscal year 2023-24. The balance of approximately \$9.9 billion in fiscal year 2022-23 triggers a cap on school district reserves beginning in fiscal year 2023-24. See “ – School District Reserves” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751.”
- Local Control Funding Formula. The 2023-24 State Budget includes a LCFF cost-of-living adjustment of 8.22%, which is the largest cost-of-living adjustment in the history of LCFF. The 2023-24 State Budget provides approximately \$556.3 million ongoing Proposition 98 general fund resources to reflect the cost-of-living adjustment for specified categorical programs. The cost-of-living adjustment, when combined with declining enrollment adjustments, increases the year-over-year discretionary funds available to local education agencies by approximately \$3.4 billion. The 2023-24 State Budget also reflects the utilization of approximately \$1.6 billion one-time Proposition 98 State general fund resources to support the overall costs of the LCFF in fiscal year 2023-24, and provides an increase of approximately \$80.0 million ongoing Proposition 98 State general fund resources to support county offices of education serving students in juvenile court and other alternative school settings.
- Accountability Improvements and Equity Multiplier. To support accountability and a continuous improvement system to ensure student group and school site equity gaps within a local education

agency are identified and addressed through the Local Control and Accountability Plan, the 2023-24 State Budget provides approximately \$300.0 million ongoing Proposition 98 State general fund resources to establish an Equity Multiplier as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps, and approximately \$2.0 million ongoing Proposition 98 general fund resources to support the critical work of the new Equity Leads within the statewide system of support.

- Literacy. The 2023-24 State Budget provides approximately \$250.0 million one-time Proposition 98 general fund resources to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches and reading specialists for one-on-one and small group intervention for struggling readers.
- State Preschool Program. The 2023-24 State Budget includes the following set asides to fund any adjustments related to reimbursement for preschool providers: approximately \$343.1 million in Proposition 98 general fund resources and \$20,000 in non-Proposition 98 general fund resources from fiscal year 2022-23; approximately \$369.3 million in Proposition 98 general fund resources and \$126.1 million in general fund resources from fiscal year 2023-24; and approximately \$445.7 million in Proposition 98 general fund resources and \$186.5 million in general fund resources from fiscal year 2024-25. Consistent with this approach, the 2023-24 State Budget suspends the annual cost-of-living adjustment applicable to the State Preschool Program in fiscal years 2023-24 and 2024-25.

The 2023-24 State Budget reallocates approximately \$4.4 million non-Proposition 98 general fund resources and approximately \$5.3 million Proposition 98 general fund resources from the 2022-23 State budget to continue to waive family fees from July 1, 2023 through September 30, 2023, and provides approximately \$112.0 million in available federal funds to provide temporary stipends for State Preschool Program employees.

- Transitional Kindergarten. The 2023-24 State Budget provides approximately \$357.0 million in ongoing Proposition 98 general fund resources for fiscal year 2022-23 to support the first year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and February 2. The 2023-24 State Budget also provides approximately \$283.0 million in Proposition 98 general fund resources to provide one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2023-24 State Budget provides approximately \$597.0 million in ongoing Proposition 98 general fund resources beginning in fiscal year 2023-24 to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and April 2. The 2023-24 State Budget also provides approximately \$165.0 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.
- Arts, Music, and Instructional Materials Discretionary Block Grant. The 2023-24 State Budget decreases one-time Proposition 98 general fund support for the Arts, Music, and Instructional Materials Block Grant by approximately \$200.0 million, reducing total one-time program support from approximately \$3.5 billion to approximately \$3.3 billion. The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) will provide approximately \$938.0 million ongoing Proposition 98 general fund resources beginning in fiscal year 2023-24.
- Learning Recovery Emergency Block Grant. The 2023-24 State Budget delays approximately \$1.1 billion one-time Proposition 98 general fund resources for the Learning Recovery Emergency Block Grant to fiscal years 2025-26, 2026-27, and 2027-28.

- Zero-Emission School Buses. The 2023-24 State Budget delays approximately \$1.0 billion one-time Proposition 98 general fund resources to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to fiscal years 2024-25 and 2025-26.
- California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (FDK Program). The 2022-23 State budget included \$100.0 million one-time general fund resources and reflected an additional \$550.0 million in fiscal year 2023-24 to support the FDK Program. The 2023-24 State Budget delays the planned \$550.0 million investment for this program to fiscal year 2024-25.
- School Facility Program. The 2023-24 State Budget provides approximately \$2.0 billion one-time general fund resources, which is \$100.0 million less than previously planned, to support the School Facility Program in fiscal year 2023-24.
- Nutrition. The 2023-24 State Budget provides an additional \$154.0 million in ongoing Proposition 98 general fund resources and an additional \$110.0 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.
- Bipartisan Safer Communities Act, Stronger Connections Program. The 2023-24 State Budget provides approximately \$119.6 million in one-time federal funds to support local education activities related to improving school climate and safety through the Stronger Connections Program.
- Charter School Facility Grant Program. Consistent with the 2022-23 State budget, the 2023-24 State Budget provides a one-time investment of \$30.0 million Proposition 98 general fund resources to support eligible facilities costs.

The complete 2023-24 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov) or [www.ebudget.ca.gov](http://www.ebudget.ca.gov). The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***Future Budgets and Budgetary Actions.*** The District cannot predict what future actions will be taken by the State legislature and the Governor to address changing State revenues and expenditures, collection and receipt of tax revenues due to tax filing delay, funding of delayed investments, or 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 beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during fiscal year 2023-24 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Refunding Bonds are payable from *ad valorem* property taxes, the 2023-24 State Budget is not expected to have a material impact on the payment of the Refunding Bonds.

***School District Reserves.*** Even though the State's economic and revenue outlook has changed, the State still projects deposits into the Proposition 98 Rainy Day Fund in fiscal years 2022-23 and 2023-24 (see "– 2023-24 State Budget"); however, school districts may still need to access their local reserves in light of operational needs that may exceed expected funding under LCFF in a given fiscal year. The District, which has an average daily attendance ("A.D.A.") of less than 30,000 (but greater than 1,001), is

required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. At the time of preparation of the Fiscal Year 2023-24 Budget, the District projects it will meet the 3% statutory reserve requirement in fiscal years 2023-24 through 2025-26, and that it will not need to use its existing general fund balance, while still maintaining the 3% statutory requirement, in order to meet its obligations.

Payments allocated to the Proposition 98 Rainy Day Fund under the fiscal year 2021-22 State budget triggered a reserve cap for school districts beginning in fiscal year 2022-23. Such reserve cap is triggered when the amount of money in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total State general fund revenues appropriated for school districts Statewide. In accordance with Section 42127.01(a) of the California Education Code, once the reserve cap is triggered, a school district's assigned and unassigned ending fund balance cannot exceed 10% of such school district's general fund balance. However, pursuant to Section 42127.01(c) of the California Education Code, community funded districts and small school districts with fewer than 2,501 units of A.D.A. are exempt from the reserve cap. The District is not a small school district with fewer than 2,501 units of A.D.A. The District has budgeted with the assumption it will be an LCFF funded district in fiscal year 2023-24. However, it has for the past two fiscal years been classified as a community funded district and could flip back to being a community funded district in the current fiscal year or in future fiscal years. As a result, the District may or may not be subject to the reserve cap in a given year. The District's assigned and unassigned ending fund balance does not currently exceed 10% of the District's general fund balance. If the 10% reserve cap is exceeded and the District remains categorized as an LCFF funded district, the District would consider committing assigned or unassigned ending fund balances above the reserve cap to specific expenditures or transferring funds to the District's special reserve fund for postemployment benefits (Fund 20). For more information on the reserve cap legislation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751."

***Prohibitions on Diverting Local Revenues for State Purposes.*** Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the California Constitution, which voters of the State approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment

agencies, which local redevelopment agencies have now been dissolved (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*”). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State’s authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

***Allocation of State Funding to School Districts; Local Control Funding Formula.*** Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, each school district received State funding based on a unique revenue limit multiplied by such school district’s A.D.A. Under the revenue limit funding system, school districts also received funding for categorical programs based on the demographics and needs of the students in each school district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant (“Base Grant”) per unit of A.D.A. with additional supplemental funding (referred to as a “Supplemental Grant” and a “Concentration Grant”) allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, but achieved full implementation ahead of schedule in fiscal year 2018-19. The LCFF includes the following components:

- A Base Grant for each local education agency (“LEA”). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2022-23, the LCFF provided to school districts and charter schools: (a) a Base Grant for each LEA equivalent to \$10,119 per A.D.A. for kindergarten through grade 3; (b) a Base Grant for each LEA equivalent to \$9,304 per A.D.A. for grades 4 through 6; (c) a Base Grant for each LEA equivalent to \$9,580 per A.D.A. for grades 7 and 8; (d) a Base Grant for each LEA equivalent to \$11,391 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. The fiscal year 2022-23 Base Grant amount includes a cost-of-living adjustment of 6.56% in fiscal year 2022-23 and a 6.70% discretionary increase in Base Grant funding in fiscal year 2022-23, resulting in an increase of approximately 13.26% in Base Grant amounts from fiscal year 2021-22.
- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 65% of a LEA’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19.



Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

Prior to fiscal year 2022-23, school districts received their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. This apportionment method helped to temporarily mitigate the impact of LCFF funding losses on school districts that result from declining enrollment. To further mitigate the impact of LCFF funding losses in light of the COVID-19 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 A.D.A. for fiscal year 2020-21 was based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). The fiscal year 2021-22 State budget did not extend the A.D.A. hold harmless provision to fiscal year 2021-22. Nonetheless, 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 A.D.A. in accordance with the LCFF.

The fiscal year 2022-23 State budget, as amended (the “2022-23 State Budget”) amended the LCFF calculation to consider the greater of a school district’s current fiscal year, prior fiscal year, or the average of three prior fiscal years’ A.D.A. to allow school districts more time to adjust to enrollment-related LCFF funding declines. For purposes of fiscal year 2021-22, a school district that can demonstrate it provided independent study offerings to students in fiscal year 2021-22 may consider the greater of such school district’s fiscal year 2021-22 A.D.A. or such school district’s fiscal year 2021-22 enrollment adjusted for pre-COVID-19 absence rates. Such adjustment is applicable to fiscal year 2021-22 for purposes of calculating a school district’s fiscal year 2021-22 annual apportionment and calculating a school district’s prior year A.D.A. or the average of three prior years’ A.D.A. in fiscal year 2022-23 and future fiscal years in accordance with the amendments made in connection with the 2022-23 State Budget.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts continue to receive the same level of State aid as allocated under the prior revenue limit funding system in fiscal year 2012-13.

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**Enrollment, A.D.A. and LCFF.** The table below sets forth the District’s actual A.D.A., funded A.D.A., the basis for such funded A.D.A. (the current fiscal year A.D.A., the prior fiscal year A.D.A., or the average of three prior years’ A.D.A.), enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and Base Grant (or targeted Base Grant, as applicable) per unit of A.D.A. for fiscal years 2019-20 through 2022-23, and the District’s budgeted A.D.A., funded A.D.A., the basis for such funded A.D.A., enrollment (including the percentage of EL/LI Students), and Base Grant per unit of A.D.A. for fiscal year 2023-24 at the time of preparation of the Fiscal Year 2023-24 Budget.

**SAN CARLOS SCHOOL DISTRICT**  
**(County of San Mateo, California)**  
**Average Daily Attendance, Enrollment and Base Grant**  
**Fiscal Years 2018-19 through 2023-24**

Fiscal Year <sup>(1)</sup>		A.D.A./Base Grant				Funding Basis	Enrollment <sup>(12)</sup>	
		TK-3	4-6	7-8	Total A.D.A.		Total Enrollment	Unduplicated % of EL/LI Students
2019-20	Actual A.D.A. <sup>(2)</sup> :	1,377.41	893.40	654.52	2,925.33	--	3,021	9.03%
	Funded A.D.A. <sup>(2)</sup> :	1,377.41	898.12	655.76	2,931.29	Current Year	--	--
	Base Grant <sup>(3)(4)</sup> :	\$8,503	\$7,818	\$8,050	--	--	--	--
2020-21	Actual A.D.A. <sup>(2)(5)</sup> :	1,376.65	892.52	654.52	2,923.69	--	2,878	9.90%
	Funded A.D.A. <sup>(2)(5)</sup> :	1,376.65	892.52	654.52	2,923.69	Current Year	--	--
	Base Grant <sup>(3)(6)</sup> :	\$8,503	\$7,818	\$8,050	--	--	--	--
2021-22	Actual A.D.A. <sup>(2)(7)</sup> :	1,152.00	848.99	550.46	2,551.45	--	2,633	11.13%
	Funded A.D.A. <sup>(2)(7)</sup> :	1,376.65	892.52	654.52	2,923.69	Prior Year	--	--
	Base Grant <sup>(3)(8)</sup> :	\$8,935	\$8,215	\$8,458	--	--	--	--
2022-23	Actual A.D.A. <sup>(2)</sup> :	1,188.26	831.74	533.66	2,553.66	--	2,700	12.39%
	Funded A.D.A. <sup>(2)</sup> :	1,301.77	878.01	619.83	2,799.61	3 Year Avg.	--	--
	Base Grant <sup>(3)(9)</sup> :	\$10,119	\$9,304	\$9,580	--	--	--	--
2023-24 <sup>(10)</sup>	A.D.A.:	1,203.20	801.82	570.58	2,575.60	--	2,740	13.58%
	Funded A.D.A.:	1,238.97	857.75	579.55	2,676.27	3 Year Avg.	--	--
	Base Grant <sup>(3)(11)</sup> :	\$10,951	\$10,069	\$10,367	--	--	--	--

<sup>(1)</sup> The District’s schools were operated as dependent charter schools in fiscal year 2018-19. Since such data would not be comparable, it is excluded.

<sup>(2)</sup> A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a “material decrease” in attendance or attendance at Saturday school.

<sup>(3)</sup> Such amounts include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF.

<sup>(4)</sup> Condensed reporting period due to the COVID-19 pandemic. For more information on Senate Bill 117 (as defined herein), see “– Infectious Disease Outbreak – State Legislation Relating to School Districts” below.

<sup>(5)</sup> Fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.

<sup>(6)</sup> Attendance reporting not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision, providing that A.D.A. for fiscal year 2020-21 was based on A.D.A. for fiscal year 2019-20 (for the condensed reporting period), as discussed in more detail above.

<sup>(7)</sup> Fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from fiscal year 2019-20 Base Grant amounts.

<sup>(8)</sup> Fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a 1% discretionary increase in Base Grant funding.

<sup>(9)</sup> Fiscal year 2022-23 Base Grant amount reflects an approximately 13.26% adjustment from fiscal year 2021-22 Base Grant amounts, which includes a 6.56% cost-of-living adjustment and a 6.70% discretionary increase in Base Grant funding.

<sup>(10)</sup> Reflects budgeted A.D.A., funded A.D.A., enrollment, and percentage of unduplicated EL/LI Students as of Fiscal Year 2023-24 Budget.

<sup>(11)</sup> Fiscal year 2023-24 Base Grant amount included in the Fiscal Year 2023-24 Budget assumes an approximately 8.22% cost-of-living adjustment from Fiscal Year 2022-23 Base Grant amounts.

<sup>(12)</sup> Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district’s funded percentage of unduplicated EL/LI Students is based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: San Carlos School District.

The District received approximately \$32.09 million in aggregate revenues reported under LCFF sources in fiscal year 2021-22 (or approximately 67.34% of its general fund revenues in fiscal year 2021-

22). Such amount includes Supplemental Grants for targeted groups of approximately \$561,299, but no Concentration Grants (as the District does not qualify for Concentration Grants), in fiscal year 2021-22. As of the District's fiscal year 2022-23 estimated actuals (the "Fiscal Year 2022-23 Estimated Actuals"), the District estimates to receive approximately \$33.75 million in aggregate revenues reported under LCFF sources in fiscal year 2022-23 (or approximately 65.33% of its general fund revenues in fiscal year 2022-23). Such amount includes Supplemental Grants for targeted groups of approximately \$676,763, but no Concentration Grants (as the District does not qualify for Concentration Grants), in in fiscal year 2022-23. As of the preparation of the Fiscal Year 2023-24 Budget, the District budgets to receive approximately \$32.84 million in aggregate revenues reported under LCFF sources in fiscal year 2023-24 (or approximately 70.62% of its general fund revenues in fiscal year 2023-24). Such amount includes Supplemental Grants for targeted groups of approximately \$767,180, but no Concentration Grants (as the District does not qualify for Concentration Grants), in in fiscal year 2023-24.

***Local Control Accountability Plans.*** A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Typically, each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

## **Local Property Tax Revenues**

***General.*** The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. The District's share of the local 1% property tax is separate from and in addition to the *ad valorem* tax pledged to the repayment of all general obligation bonds of the District, including the Refunding Bonds. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base

revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some State equalization aid were commonly referred to as “revenue limit districts.” Although the District does not expect to be a community funded district in fiscal year 2023-24, it was a community funded district in fiscal years 2021-22 and 2022-23 and may change to community funded in the current fiscal year or in future fiscal years.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See “– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*” for more information about the LCFF.

Based on the Fiscal Year 2022-23 Estimated Actuals, local property tax revenues are estimated to account for approximately 93.67% of the District’s aggregate revenues reported under LCFF sources in fiscal year 2022-23 and are estimated to be approximately \$31.61 million, or 61.20% of total general fund revenues in fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, local property tax revenues are budgeted to account for approximately 91.1% of the District’s aggregate revenues reported under LCFF sources in fiscal year 2023-24 and are budgeted to be approximately \$29.89 million, or 64.27% of total general fund revenues in fiscal year 2023-24.

For information about the property taxation system in the State and the District’s property tax base, see “– Property Taxation System,” “– Assessed Valuation of Property Within the District,” and “– Tax Charges and Delinquencies” under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS” in the front portion of the Official Statement.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below.

***Effect of Changes in Enrollment.*** Changes in local property tax revenue and A.D.A. affect LCFF districts and community funded districts differently.

In a LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district’s entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In a community funded district, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax revenue is stretched further. Declining enrollment does not reduce property tax revenue, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

## Other District Revenues

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates that federal revenues, most of which are restricted, will comprise approximately 3.33% (or approximately \$1.72 million) of the District's general fund estimated revenues for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets that federal revenues, most of which are restricted, will comprise approximately 1.84% (or approximately \$855,983) of the District's general fund budgeted revenues for fiscal year 2023-24.

**Other State Revenues.** In addition to State apportionments for Proposition 98 funding through 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 LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates that other State revenues will comprise approximately 10.98% (or approximately \$5.67 million) of the District's general fund estimated revenues for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets that other State revenues will comprise approximately 7.88% (or approximately \$3.66 million) of the District's general fund budgeted revenues for fiscal year 2023-24.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates to receive approximately \$0.62 million in State lottery revenue for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets to receive approximately \$0.63 million in State lottery revenue for fiscal year 2023-24.

**Other Local Revenues.** In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates that other local revenues will comprise approximately 20.36% (or approximately \$10.52 million) of the District's general fund estimated revenues for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets that other local revenues will comprise approximately 19.66% (or approximately \$9.14 million) of the District's general fund budgeted revenues for fiscal year 2023-24.

A significant portion of such local revenues is derived from District parcel taxes. The District's voters have supported the District through the passage of parcel taxes for many years. In 2011, the voters of the District approved the extension of an existing parcel tax of \$110.60 per parcel per year, such extension commencing July 1, 2011 (the "Measure A Parcel Tax"). The Measure A Parcel Tax was limited to eight years, with the funds dedicated to the promotion of early reading and literacy, retention of quality teachers and staff, maintenance of small class sizes, school libraries staff, support of reading, writing, mathematics, arts, foreign language and technology, and maintaining safe schools. In 2009, the voters of the District also approved a parcel tax of \$78.00 per year per parcel, commencing July 1, 2009 (the "Measure B Parcel Tax"). The Measure B Parcel Tax was limited to six years, with the funds dedicated to provide financial support to local school programs in accordance with priorities established by the District Board, including the protection of the District's elementary and middle school programs, maintenance of high-quality programs, including hands-on science and literacy programs, attraction and retention of high qualified teachers, and maintenance of art and music. In 2015, the voters of the District

approved a parcel tax measure that extended and consolidated the Measure A Parcel Tax and the Measure B Parcel Tax and increased them in an aggregate amount by \$58 per parcel per year through fiscal year 2020-21. In 2020, the voters of the District approved an extension of, and increase to, the 2015 parcel tax measure, resulting in a parcel tax of \$334.60 per parcel per year, such extension commencing July 1, 2021. The 2020 parcel tax measure is for eight years, with the funds dedicated to maintaining small class sizes and high-quality educational programs, including hands-on science, math, technology, and engineering programs, preserving reading and writing programs, attracting and retaining qualified and experienced teachers, and providing art, music, and libraries. The 2020 parcel tax measure accounts for approximately 6.45% of the District's fiscal year 2023-24 general fund budget revenue, budgeted at approximately \$3.00 million.

### **Infectious Disease Outbreak**

**General.** In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, many school districts in the State are funded based on the LCFF, which allocates a Base Grant per unit of average daily attendance with additional supplemental funding in the form of Supplemental Grants and Concentration Grants based on certain factors. See “– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula.*” Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See “– State Funding of Education; State Budget Process – *Future Budgets and Budgetary Actions.*” In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

**COVID-19 Background.** The outbreak of the respiratory disease caused by COVID-19 was declared a pandemic by the World Health Organization, a national emergency by former President Trump and a state of emergency by the Governor.

**Federal Response.** On March 22, 2020, former President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19 administered through the Federal Emergency Management Agency (“FEMA”). Local educational agencies may submit a request for FEMA public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District did not submit a FEMA request for public assistance, and does not plan to submit such request.

On March 27, 2020, the U.S. House of Representatives approved and former President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act provided \$30 billion to education, specifically \$3 billion allocated to state governors to be used at their discretion to address the emergency, \$13.5 billion for K-12 education, and \$14.25 billion for postsecondary institutions. School districts are able to use their share of the \$13.5 billion K-12 education allocation under the CARES Act, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses.

The District received approximately \$1.1 million under the CARES Act, which is the full amount allocated to the District under the CARES Act and includes funding from the Elementary and Secondary School Emergency Relief Fund provided directly from the federal government to the District, from the Coronavirus Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, from the Governor's Emergency Education Relief Fund for learning loss mitigation

provided from CARES Act funding administered through the State, and from the State's general fund for learning loss mitigation provided from CARES Act funding administered through the State.

On December 27, 2020, HR 133 was enacted, which includes a \$900 billion COVID-19 relief package. HR 133 provided approximately \$81.9 billion to education, specifically about \$4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which approximately \$2.75 billion was reserved for private K-12 education, about \$54.3 billion for public K-12 education, around \$22.7 billion for postsecondary institutions, and about \$819 million for outlying areas and Bureau of Indian Affairs schools. School districts are able to use their share of the approximately \$54.3 billion K-12 education allocation under HR 133, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses. The District has received \$134,245 under HR 133, which is the full amount allocated to the District under HR 133.

On March 11, 2021, the American Rescue Plan Act of 2021 ("HR 1319"), a \$1.9 trillion COVID-19 relief package, was enacted. HR 1319 provided approximately \$165.15 billion to education, specifically about \$122.8 billion to public K-12 education, around \$2.75 billion to private K-12 education and about \$39.6 billion to postsecondary institutions. Of the approximately \$122.8 billion in K-12 funding, about \$7.2 billion was set aside for purchasing technology to support digital learning and around \$800 million was set aside for supporting homeless students. HR 1319 allocated K-12 funding to states and school districts according to the proportion of Title I funding received for the then most recent fiscal year. It further stipulated that of the K-12 funds received by states, 90% must be distributed to local educational agencies, 5% must be used to address learning loss, 1% must be used for summer enrichment programs and 1% must be used for comprehensive afterschool programs, and of the K-12 funds received by school districts, 20% must be used to address learning loss. HR 1319 allocated postsecondary funding based on the relative share of students receiving Federal Pell Grants at an institution. It also required that at least 50% of postsecondary funding must be spent on emergency, need-based financial aid grants to students and that a portion of remaining funds must be used to implement practices that monitor and suppress COVID-19. The District expects to receive \$301,774 under HR 1319. The District has received approximately \$241,419 to date and expects to receive the remaining funding due under HR 1319 once it requests reimbursement for authorized COVID-19 expenditures.

***State Legislation Relating to School Districts.*** On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limited the A.D.A. reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applied to school districts that complied with Executive Order N-26-20, which provided that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. SB 117 further states the intent of the State Legislature is that a school district's employees and contractors be paid during the period of a school closure due to COVID-19. SB 117 also waived instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also included \$100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received \$51,393 from such additional State funding in fiscal year 2019-20.

The Governor signed Assembly Bill 86 ("AB 86") into law on March 5, 2021. AB 86 provided approximately \$6.6 billion to local educational agencies to encourage a return to in-person education, with a focus on students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Funding was distributed as follows: \$725 per student, an additional \$1,000 per homeless

student, and funds remaining after these apportionments are distributed proportionally based on LCFF. \$2 billion was set aside as incentive for school districts that returned to in-person instruction by March 31, 2021 for at least TK-2 and ramping up to include higher grades if county transmission rates allow. Beginning April 1, 2021, school districts' apportioned incentive funding was reduced by 1% for every academic calendar day they do not offer in-person education until May 15, 2021, after which school districts forfeit their entire apportionment of incentive funding. AB 86 also established reporting requirements to monitor COVID-19 cases and in-person education status and apportioned \$25 million to the State's "Safe Schools For All Team" to provide technical assistance, community engagement, oversight and accountability to school districts. AB 86 further set aside 10% of the State's vaccine supply for childcare and TK-12 education sector staff. Under AB 86, the District received approximately \$983,709 in incentive funding for returning to in-person instruction in April 2021.

In addition to providing incentive funding, AB 86 allocated approximately \$4.6 billion to local educational agencies to support expanded learning opportunities that target learning loss resulting from the COVID-19 pandemic. To be eligible for such funding, school districts were required to implement learning recovery programs that included, at minimum, supplemental instruction, resources for social and emotional well-being and meal programs. Subsequent to enacting AB 86, the Governor signed Assembly Bill 130 ("AB 130") into law on July 9, 2021. AB 130 replaced approximately \$2.02 billion of State funding that AB 86 had allocated to support the expanded learning opportunities program with federal stimulus funds that the State received pursuant to the CARES Act, HR 133 and HR 1319. Pursuant to AB 86, the District expects to receive approximately \$1.79 million in expanded learning opportunities funding. The District has received approximately \$1.62 million to date and expects to receive the remaining funding due under AB 86 once it requests reimbursement for authorized COVID-19 expenditures.

***District Response.*** As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction in March 2020 for the remainder of the 2019-20 school year, implemented a distance learning model and continued to use the distance learning model until February 2021. Starting on February 22, 2021, the District offered a hybrid program to all District students. The District resumed in-person instruction five days a week for the 2021-22 school year and has continued in-person instruction since then. At such time, the District offered an independent study program to students who were unable to participate in in-person instruction.

Pursuant to the COVID-19 relief measures described above, the District has been allocated approximately \$4.37 million in State and federal funding to mitigate the impact of the COVID-19 pandemic beginning in fiscal year 2019-20 through September 30, 2024, receiving approximately \$4.14 million to date. As of the Fiscal Year 2023-24 Budget, the District has spent or encumbered all of the \$4.37 million of such State and federal funding on COVID-19 related expenditures, such as cleaning supplies, technology, COVID-19 testing, and staffing. The District currently expects such funding will cover the increased expenditures relating to COVID-19 that the District has incurred and expects to incur through September 30, 2024.

While State and federal one-time COVID-19 relief funding has provided and will continue to provide some immediate relief to school districts, including the District, the short-term and long-term impacts of the COVID-19 outbreak on the District's operations and finances are not fully known as the situation continues to evolve. The District cannot predict whether similar legislation providing State and federal one-time relief funding would be enacted in the future in the event the outbreak of COVID-19 continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.



## **Charter Schools**

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the “Charter School Law”). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district’s financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district’s financial reports and audited financial statements.

There is currently one independent charter school operating in the District. San Carlos Charter Learning Center is a District-authorized charter school serving grades kindergarten through eight. Enrollment at the San Carlos Charter Learning Center was 356 in fiscal year 2022-23 and is projected to be 380 in fiscal year 2023-24. The District can make no representation as to whether enrollment at such charter schools may increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District’s A.D.A. or finances in future years.

## **Significant Accounting Policies and Audited Financial Statements**

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are required to be accounted for in accordance with the Department of Education’s California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District’s audited financial statements for the fiscal year ended June 30, 2022, which are included as Appendix B to the Official Statement.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller’s Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. However, in response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill) provided that a school district’s audited financial statements for fiscal year 2019-20 were not due until March 31, 2021. Accordingly, the District filed its audited financial statements for fiscal year 2019-20 with the State Controller’s Office, the State Superintendent of Public Instruction, and the San

Mateo County Superintendent of Schools by March 31, 2021. Pursuant to Assembly Bill 130 (Chapter 44, enacted on July 9, 2021), the deadline for school districts to file their audited financial statements for fiscal year 2020-21 was extended to January 31, 2022. Accordingly, the District filed its audited financial statements for fiscal year 2020-21 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Mateo County Superintendent of Schools by January 31, 2022. The deadline for school districts to file their audited financial statements for fiscal year 2021-22 was not extended.

The following tables contain data extracted from general fund financial statements prepared by the District's independent auditor, Chavan & Associates, LLP, Certified Public Accountants ("Chavan"), Morgan Hill, California, for fiscal years 2017-18 through 2021-22. Chavan has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The following tables are only a summary of the general fund financial statements of the District for the fiscal years shown. The District's audited financial statements for the fiscal year ended June 30, 2022 are described throughout this Appendix A and are included as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this Official Statement.

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2017-18 through 2021-22.

**SAN CARLOS SCHOOL DISTRICT**  
**(County of San Mateo, California)**  
**Statement of General Fund Revenues, Expenditures and Changes in Fund Balance**  
**Fiscal Years 2017-18 through 2021-22<sup>(1)</sup>**

	Fiscal Year 2017-18 Audited Actuals	Fiscal Year 2018-19 Audited Actuals	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals
<b>Revenues:</b>					
LCFF sources	\$26,137,755	\$27,301,592	\$27,374,158	\$27,355,310	\$32,094,716
Federal sources	699,526	706,652	642,318	1,267,307	1,013,858
Other State sources	2,542,150	4,866,821	3,477,282	4,006,557	4,720,802
Other local sources	6,677,399	6,929,057	8,557,566	9,218,438	9,828,168
<b>Total Revenues</b>	<b>36,056,830</b>	<b>39,804,122</b>	<b>40,051,324</b>	<b>41,847,612</b>	<b>47,657,544</b>
<b>Expenditures:</b>					
Instruction	23,971,140	25,937,071	25,918,198	24,857,155	26,839,483
Instruction-related services:					
Supervision of instruction	927,432	1,220,588	1,170,879	692,717	500,143
Instructional library, media and technology	577,700	642,500	419,863	24,476	300,469
School site administration	2,171,320	2,625,134	2,500,392	2,614,694	2,972,353
Pupil services:					
Home-to-school transportation	430,362	281,512	292,590	297,951	350,921
Food services	-	-	-	-	8,674
All other pupil services	3,038,963	3,295,526	2,618,453	2,760,367	2,992,956
General administration:					
Data processing	627,091	609,671	463,958	619,861	742,265
All other general administration	2,653,556	2,168,375	2,701,872	2,234,062	2,312,951
Plant services	3,411,772	3,636,688	3,740,734	3,144,440	3,894,872
Facility acquisition and construction	6,140	12,635	154,570	-	-
Ancillary services <sup>(2)</sup>	-	-	-	5,126	8,940
Transfers between agencies	609,227	354,905	475,397	421,454	532,435
Debt service:					
Principal	32,733	28,069	131,535	130,112	132,493
Interest and fees	4,197	8,861	7,810	155,175	6,295
<b>Total Expenditures</b>	<b>38,461,633</b>	<b>40,821,535</b>	<b>40,596,251</b>	<b>37,957,590</b>	<b>41,595,250</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,404,803)</b>	<b>(1,017,413)</b>	<b>(544,927)</b>	<b>3,890,022</b>	<b>6,062,294</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in <sup>(3)</sup>	800,000	900,028	-	-	400,000
Transfers out <sup>(4)</sup>	(79,641)	(72,352)	-	(125,000)	(984,294)
Proceeds from long-term debt	154,654	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>875,013</b>	<b>827,676</b>	<b>-</b>	<b>(125,000)</b>	<b>(584,294)</b>
Changes in Fund Balances	(1,529,790)	(189,737)	(544,927)	3,765,022	5,478,000
Prior Period Adjustment GASB 84	-	-	-	9,373	-
<b>Fund Balance – Beginning</b>	<b>6,006,270</b>	<b>4,476,480</b>	<b>4,286,743</b>	<b>3,741,816</b>	<b>7,516,211</b>
<b>Fund Balance – Ending</b>	<b>\$4,476,480</b>	<b>\$4,286,743</b>	<b>\$3,741,816</b>	<b>\$7,516,211</b>	<b>\$12,994,211</b>

<sup>(1)</sup> Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 54, the District’s audited financial statements include the financial activity of the student activity special revenue fund (Fund 8), the deferred maintenance fund (Fund 14) the special reserve fund for other than capital outlay projects (Fund 17) and the special reserve fund for postemployment benefits (Fund 20) with the District’s general fund.

<sup>(2)</sup> The District began accounting for associated student body activities in fiscal year 2020-21 under the student activity special revenue fund (Fund 8).

<sup>(3)</sup> The District makes periodic transfers into its general fund from its other enterprise fund (Fund 63) where its preschool activities are accounted for.

<sup>(4)</sup> The District makes periodic transfers out to its cafeteria special revenue fund (Fund 13), special reserve fund for capital outlay projects (Fund 40), and other enterprise fund (Fund 63). Fiscal year 2021-22 transfers out include \$934,294 to Fund 40 and \$50,000 to Fund 13.

Source: San Carlos School District Audited Financial Statements for fiscal years 2017-18 through 2021-22.

The following table sets forth the general fund balance sheet of the District for fiscal years 2017-18 through 2021-22.

**SAN CARLOS SCHOOL DISTRICT**  
**(County of San Mateo, California)**  
**Summary of General Fund Balance Sheet**  
**Fiscal Years 2017-18 through 2021-22**

	Fiscal Year 2017-18 Audited Actuals	Fiscal Year 2018-19 Audited Actuals	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals
<b>Assets</b>					
Cash and investments	\$3,735,888	\$3,495,484	\$3,418,198	\$10,609,522	\$13,555,012
Accounts receivable	867,899	1,461,418	23,105,196	9,865,754	2,603,646
Due from other funds	-	-	685,409	63,495	-
Prepaid items	-	-	28,000	199,661	48,063
<b>Total Assets</b>	<b>\$4,603,787</b>	<b>\$4,956,902</b>	<b>\$27,236,803</b>	<b>\$20,738,432</b>	<b>\$16,206,721</b>
<b>Liabilities And Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$127,307	\$670,159	\$3,477,591	\$4,013,059	\$2,624,863
Due to other funds	-	-	14,828	504	2,413
Unearned revenue	-	-	2,568	449,716	585,234
Current loans	-	-	20,000,000	8,758,942	-
<b>Total Liabilities</b>	<b>127,307</b>	<b>670,159</b>	<b>23,494,987</b>	<b>13,222,221</b>	<b>3,212,510</b>
<b>Fund Balances</b>					
Nonspendable:					
Revolving fund	10,000	10,000	10,000	10,000	10,000
Prepaid items	-	-	28,000	199,661	48,063
Restricted for:					
Educational programs	1,143,118	240,081	990,225	2,384,397	2,920,766
Cafeteria programs	-	-	-	-	9,409
Capital projects	-	692,795	-	-	-
Assigned for:					
Educational programs	-	600,000	748,508	390,161	4,616,254
Deferred maintenance	-	-	-	-	1,000,208
Other postemployment benefits	-	582,262	643,493	447,377	1,371,330
Unassigned:					
Reserve for economic uncertainties	-	543,909	1,323,398	1,105,267	3,018,181
Unappropriated	3,323,362 <sup>(1)</sup>	1,617,696	(1,808)	2,979,348	-
<b>Total Fund Balances</b>	<b>4,476,480</b>	<b>4,286,743</b>	<b>3,741,816</b>	<b>7,516,211</b>	<b>12,994,211</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,603,787</b>	<b>\$4,956,902</b>	<b>\$27,236,803</b>	<b>\$20,738,432</b>	<b>\$16,206,721</b>

<sup>(1)</sup> Includes reserve for economic uncertainties of \$1,156,238.18.

Source: San Carlos School District Audited Financial Statements for fiscal years 2017-18 through 2021-22.

## **District Budget Process and County Review**

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

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Mateo County Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the Superintendent of Public Instruction (the "State Superintendent") may impose a budget and will report such school district to the State Legislature and the Department of Finance.

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

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

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district’s repayment of indebtedness is probable. In the past five years, the District had qualified certifications in its first interim certification in Fiscal Year 2018-19 and in its first and second interim certifications in Fiscal Year 2019-20. The District has not received a negative or qualified certification for an interim financial report since Fiscal Year 2019-20.

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

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund

that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

***District's Fiscal Year 2022-23 Budget and Estimated Actuals.*** The District's original adopted general fund budget for fiscal year 2022-23 (the "Fiscal Year 2022-23 Budget"), which was adopted by the Board of Education on June 15, 2022, is included in the table that follows. The Fiscal Year 2022-23 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2022-23 State budget. The Fiscal Year 2022-23 Budget does not contain historical facts but consist of forecasts and "forward-looking statements." The achievement of certain results or other expectations contained in the Fiscal Year 2022-23 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2022-23 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The District revises its projections of revenues, expenditures, and ending fund balances contained in the Fiscal Year 2022-23 Budget as more financial data becomes available throughout the fiscal year. Accordingly, the Fiscal Year 2022-23 Estimated Actuals reflect actual financial data through May 31, 2023 and projections for the remainder of fiscal year 2022-23 based on such data. The Fiscal Year 2022-23 Estimated Actuals, which were presented to the Board of Education in connection with the adoption of the Fiscal Year 2023-24 Budget on June 15, 2023, are included in the table that follows and described throughout the section entitled "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION". The achievement of certain results or other expectations contained in the Fiscal Year 2022-23 Estimated Actuals involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2022-23 Estimated Actuals are expressly qualified in their entirety by the foregoing and the other cautionary statements.

***District's Fiscal Year 2023-24 Budget.*** The District's Fiscal Year 2023-24 Budget, which was adopted by the Board of Education on June 15, 2023, is included in the table that follows and described throughout the section entitled "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION". The Fiscal Year 2023-24 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2023-24 State budget. After analyzing the 2023-24 State Budget, District officials have identified certain funding adjustments included in the 2023-24 State Budget, including approximately \$748,975 and \$81,785 in additional funds from expected to be allocated to the District from the Arts, Music, and Instructional Materials Block Grant and the Learning Recovery Emergency Block Grant that were not reflected in the Fiscal Year 2023-24 Budget. The District intends to incorporate such changes in its first interim report for fiscal year 2023-24. The Fiscal Year 2023-24 Budget may be revised throughout fiscal year 2023-24 as additional information becomes available.

The Fiscal Year 2023-24 Budget does not contain historical facts but consist of forecasts and "forward-looking statements." The achievement of certain results or other expectations contained in the Fiscal Year 2023-24 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any

future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2023-24 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The table on the following page sets forth the District's original adopted general fund budgets for fiscal years 2020-21 through 2023-24, unaudited actuals for fiscal years 2020-21 and 2021-22, and the Fiscal Year 2022-23 Estimated Actuals.



**SAN CARLOS SCHOOL DISTRICT**  
**(County of San Mateo, California)**  
**General Fund Budgets for Fiscal Years 2020-21 through 2023-24,**  
**Unaudited Actuals for Fiscal Years 2020-21 and 2021-22**  
**and Estimated Actuals for Fiscal Year 2022-23<sup>(1)</sup>**

	2020-21 Original Budget <sup>(2)</sup>	2020-21 Unaudited Actuals	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Estimated Actuals <sup>(3)</sup>	2023-24 Original Budget <sup>(4)</sup>
<b>REVENUES</b>							
LCFF Sources	\$25,964,183.00	\$27,355,308.71	\$28,657,023.00	\$32,094,715.30	\$27,514,611.00	\$33,750,162.00	\$32,844,034.00
Federal Revenue	638,025.00	1,267,306.98	703,208.00	1,013,857.46	1,685,159.00	1,720,189.34	855,983.00
Other State Revenue	2,389,016.00	4,006,556.71	4,384,148.00	4,720,802.08	3,304,602.00	5,671,776.31	3,663,461.00
Other Local Revenue	7,378,657.00	9,213,296.28	8,250,418.00	10,238,838.47	9,645,002.00	10,516,513.88	9,143,001.00
<b>Total Revenues</b>	<b>36,369,881.00</b>	<b>41,842,468.68</b>	<b>41,994,797.00</b>	<b>48,068,213.31</b>	<b>42,149,374.00</b>	<b>51,658,641.53</b>	<b>46,506,479.00</b>
<b>EXPENDITURES</b>							
Certificated Salaries	18,148,879.00	17,723,087.88	18,397,061.00	19,224,375.03	20,222,705.00	19,934,206.00	20,844,265.00
Classified Salaries	4,572,483.00	4,650,767.43	5,151,124.00	5,168,971.94	6,109,399.00	6,090,192.00	6,457,258.00
Employee Benefits	8,861,437.00	8,605,648.73	10,011,126.00	9,640,272.08	11,120,524.00	10,986,749.00	11,485,099.00
Books and Supplies	998,089.00	1,767,241.73	1,377,587.00	1,114,525.78	1,264,295.00	1,969,378.28	1,068,416.71
Services, Other Operating Expenses	4,664,629.00	4,650,046.04	5,739,075.00	5,766,382.42	6,344,313.00	8,348,000.32	7,011,215.00
Capital Outlay	300,000.00	-	76,648.00	-	-	481,824.00	-
Other Outgo (excluding Transfers of Indirect Costs)	497,348.00	560,797.71	536,065.00	671,779.42	435,278.00	669,340.00	629,885.00
<b>Total Expenditures</b>	<b>38,042,865.00</b>	<b>37,957,589.52</b>	<b>41,288,686.00</b>	<b>41,586,306.67</b>	<b>45,496,514.00</b>	<b>48,479,689.60</b>	<b>47,496,138.71</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,672,984.00)</b>	<b>3,884,879.16</b>	<b>706,111.00</b>	<b>6,481,906.64</b>	<b>(3,347,140.00)</b>	<b>3,178,951.93</b>	<b>(989,659.71)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Inter-fund Transfers In <sup>(5)</sup>	50,000.00	200,000.00	400,000.00	400,000.00	-	-	-
Inter-fund Transfers Out <sup>(6)</sup>	(145,000.00)	(1,125,000.00)	(95,000.00)	(2,993,321.56)	(774,147.00)	(4,890,950.46)	-
<b>Total, Other Financing Sources (Uses)</b>	<b>(95,000.00)</b>	<b>(925,000.00)</b>	<b>305,000.00</b>	<b>(2,593,321.56)</b>	<b>(774,147.00)</b>	<b>(4,890,950.46)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(1,767,984.00)</b>	<b>2,959,879.16</b>	<b>1,011,111.00</b>	<b>3,888,585.08</b>	<b>(4,121,287.00)</b>	<b>(1,711,998.53)</b>	<b>(989,659.71)</b>
<b>BEGINNING BALANCE, as of July 1</b>	<b>\$439,792.65</b>	<b>\$2,994,313.21</b>	<b>\$4,798,104.38</b>	<b>\$5,963,564.96</b>	<b>\$8,449,473.23</b>	<b>\$9,852,150.04</b>	<b>\$7,816,958.51</b>
<b>Audit Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(323,193.00)</b>	<b>-</b>
<b>As of July 1 – Audited</b>	<b>439,792.65</b>	<b>2,994,313.21</b>	<b>4,798,104.38</b>	<b>5,963,564.96</b>	<b>8,449,473.23</b>	<b>-</b>	<b>7,816,958.51</b>
<b>Other Restatements</b>	<b>-</b>	<b>9,372.59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjusted Beginning Balance</b>	<b>439,792.65</b>	<b>3,003,685.80</b>	<b>4,798,104.38</b>	<b>5,963,564.96</b>	<b>8,449,473.23</b>	<b>9,528,957.04</b>	<b>7,816,958.51</b>
<b>ENDING BALANCE</b>	<b>\$(1,328,191.35)</b>	<b>\$5,963,564.96</b>	<b>\$5,809,215.38</b>	<b>\$9,852,150.04</b>	<b>\$4,328,186.23</b>	<b>\$7,816,958.51</b>	<b>\$6,827,298.80</b>

**SAN CARLOS SCHOOL DISTRICT**  
**(County of San Mateo, California)**  
**General Fund Budgets for Fiscal Years 2020-21 through 2023-24,**  
**Unaudited Actuals for Fiscal Years 2020-21 and 2021-22**  
**and Estimated Actuals for Fiscal Year 2022-23<sup>(1)</sup>**  
**(Continued)**

	2020-21 Original Budget <sup>(2)</sup>	2020-21 Unaudited Actuals	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Estimated Actuals <sup>(3)</sup>	2023-24 Original Budget <sup>(4)</sup>
<b>FUND BALANCE</b>							
Nonspendable	\$10,000.00	\$209,661.19	\$38,000.00	\$58,062.63	\$38,000.00	\$65,126.00	\$65,126.00
Restricted	277,256.41	2,384,396.73	1,141,366.91	2,920,765.87	1,783,035.96	2,991,209.42	1,866,895.84
Committed	-	-	-	-	-	-	-
Assigned	-	1,705,493.67	3,388,338.47	5,535,932.54	1,118,150.27	2,872,713.30	3,088,104.59
Reserved for Economic Uncertainties	-	1,172,477.00	1,241,510.00	1,337,389.00	1,389,000.00	1,601,119.00	1,424,884.00
Unassigned/Unappropriated	(1,615,447.76) <sup>(7)</sup>	491,536.37	-	-	-	286,790.79	382,288.37
	<u>\$(1,328,191.35)</u>	<u>\$5,963,564.96</u>	<u>\$5,809,215.38</u>	<u>\$9,852,150.04</u>	<u>\$4,328,186.23</u>	<u>\$7,816,958.51</u>	<u>\$6,827,298.80</u>

<sup>(1)</sup> Pursuant to GASB Statement No. 54, the District's audited financial statements include the financial activity of the student activity special revenue fund (Fund 8), the deferred maintenance fund (Fund 14) the special reserve fund for other than capital outlay projects (Fund 17) and the special reserve fund for postemployment benefits (Fund 20) with the District's general fund, but the District's unaudited actuals, adopted budgets, and estimated actuals reflect only the unrestricted and restricted general fund.

<sup>(2)</sup> Reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2020-21 State budget, which were significantly revised in the fiscal year 2020-21 State budget and in subsequent District financial projections for such fiscal year.

<sup>(3)</sup> Figures are projections.

<sup>(4)</sup> The Fiscal Year 2023-24 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2023-24 State budget. After analyzing the 2023-24 State Budget, District officials have identified certain funding adjustments included in the 2023-24 State Budget, including approximately \$748,975 and \$81,785 in additional funds from expected to be allocated to the District from the Arts, Music, and Instructional Materials Block Grant and the Learning Recovery Emergency Block Grant that were not reflected in the Fiscal Year 2023-24 Budget. The District intends to incorporate such changes in its first interim report for fiscal year 2023-24. For a discussion of the District's labor agreement reached after the adoption of the Fiscal Year 2023-24 Budget, see also "– Employment" below.

<sup>(5)</sup> The District makes periodic transfers into its general fund from its other enterprise fund (Fund 63) where its preschool activities are accounted for.

<sup>(6)</sup> The District makes periodic transfers out to its cafeteria special revenue fund (Fund 13), special reserve fund for capital outlay projects (Fund 40), and other enterprise fund (Fund 63). Fiscal year 2021-22 transfers out include \$9,027.70 to the student activity fund (Fund 8), \$50,000 to the cafeteria fund (Fund 13), \$1,000,000 to the deferred maintenance fund (Fund 14), \$1,000,000 to special reserve fund for other than capital outlay (Fund 17) and \$934,293.86 to the special reserve fund for capital outlay (Fund 40).

<sup>(7)</sup> The District adopted its fiscal year 2020-21 budget based on the assumptions contained in the Governor's May revision to the proposed fiscal year 2020-21 State budget knowing it was facing a structural deficit and not able to maintain a minimum economic uncertainty reserve and that it would need to work with stakeholders to address its structural deficit. Subsequently, the State adopted the final fiscal year 2020-21 State budget and the District adopted a revised budget, which eliminated the deficit based on the assumptions in the final State budget.

Source: San Carlos School District original adopted general fund budgets for fiscal years 2020-21 through 2023-24; unaudited actuals for fiscal years 2020-21 and 2021-22; and Fiscal Year 2022-23 Estimated Actuals.

## District Debt Structure

**Long-Term Debt Summary.** Changes in the District’s long-term obligations for the fiscal year ended June 30, 2022, consisted of the following:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General Obligation Bonds <sup>(1)</sup>	\$119,305,531	\$1,401,080	\$4,303,137	\$116,403,474	\$5,204,000
Net Pension Liability	47,247,869	14,393,135	38,461,742	23,179,262	-
Total OPEB Liability	10,018,811	6,281,695	6,038,667	10,261,839	-
Compensated Absences	122,849	106,091	73,000	155,940	78,000
Total Long-Term Liabilities	<u>\$176,695,060</u>	<u>\$22,182,001</u>	<u>\$48,876,546</u>	<u>\$150,000,515</u>	<u>\$5,282,000</u>

<sup>(1)</sup> Does not reflect the issuance of the Refunding Bonds (or the planned refunding of the Refunded Bonds).

Source: San Carlos School District Audited Financial Statements for fiscal year 2021-22.

**General Obligation Bonds.** Prior to the issuance of the Refunding Bonds (and not accounting for the planned refunding of the Refunded Bonds with proceeds of the Refunding Bonds), the District has outstanding eight series of general obligation bonds, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Refunding Bonds. See “THE REFUNDING BONDS – Outstanding Bonds” and “– Aggregate Debt Service” in the front portion of this Official Statement for more information about such outstanding bonds.

**Other Post-Employment Benefits (OPEBs).** In addition to the retirement plan benefits with California State Teachers’ Retirement System (“CalSTRS”) and California Public Employees’ Retirement System (“CalPERS”), the District provides postemployment benefits other than pension benefits (“OPEB”) under the District’s Postemployment Healthcare Plan, a single-employer defined benefit healthcare plan (the “PHP”).

The PHP provides medical, dental and vision benefits to eligible retirees. Retirees are eligible if they retire from the District on or after age 55 with at least 25 years of service for certificated employees (or 20 years if hired prior to July 1, 1992) or 15 years (plus one year for each year retired prior to age 60) of service for classified employees. Benefits are provided for seven years but not beyond age 65. The Board of Education administers the PHP and has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements. As of June 30, 2022, the PHP membership consisted of 342 total employees, including 277 active employees and 65 inactive employees or beneficiaries currently receiving benefits payments.

For fiscal year 2021-22, the District contributed approximately \$236,404 to the PHP, all of which was used for current premiums. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates to contribute approximately \$218,979 to the PHP to be applied to current premiums. Based on the Fiscal Year 2023-24 Budget, the District budgets it will contribute approximately \$233,219 to the District Plan to be applied to current premiums. The PHP is unfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero. The District does, however, maintain a special reserve fund for postemployment benefits, which as of June 30, 2023, had an ending fund balance of approximately \$2.65 million. The amounts deposited in such fund are not irrevocably set aside and, therefore, can be transferred to other District funds for other uses.

Total Compensation Systems, Inc. prepared an actuarial valuation for the PHP, dated September 6, 2022, using the June 30, 2021 valuation and measurement date (the “Actuarial Valuation”). According

to the Actuarial Valuation, as of June 30, 2022, the District had a total and net OPEB liability of \$10,261,839, since there are no assets accumulated in a trust to prefund benefits due under PHP. Such total and net OPEB liability reflect an increase from the District's total and net OPEB liability for fiscal year 2020-21. As of June 30, 2021, the District had a total and net OPEB liability of \$10,018,812, since there are no assets accumulated in a trust to prefund benefits due under PHP. The Actuarial Valuation uses the following assumptions: a discount rate of 2.16% (previously 2.20%), an inflation rate of 2.50% (previously 2.75%), a salary increase rate of 2.75% (same as prior year), and a healthcare cost trend rate of 4.00% for the fiscal year 2021-22 (same as prior year). Such assumptions are consistent with the District's audited financial statements for fiscal year 2021-22, with the exception of an inflation rate of 2.50% for fiscal year 2021-22. The District is currently in the process obtaining a new actuarial valuation.

The following table summarizes the changes in the total OPEB liability, fiduciary net position, and net OPEB liability during the fiscal year ended June 30, 2022:

<b>Fiscal Year Ended June 30, 2022 (Measurement Date June 30, 2021)</b>	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at June 30, 2021</b>	\$10,018,812	\$ -	\$10,018,812
Service cost	1,060,779	-	1,060,779
Interest in Total OPEB Liability	232,082	-	232,082
Balance of difference between actual and expected experience	(1,266,533)	-	(1,266,533)
Balance of changes in assumptions	423,780	-	423,780
Benefit payments	(207,081)	-	(207,081)
<b>Net changes</b>	<b>243,027</b>	<b>-</b>	<b>243,027</b>
<b>Balance at June 30, 2022</b>	<b>\$10,261,839</b>	<b>\$ -</b>	<b>\$10,261,839</b>

Source: San Carlos School District Audited Financial Statements for fiscal year 2021-22.

For more information regarding the District's OPEB obligations and liabilities for fiscal year 2021-22, see Note 9 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement No. 75"). OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long-term care benefits. The objective of Statement No. 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement No. 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement No. 75 replaces GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement No. 75 in its financial statements beginning with fiscal year 2017-18.

***Tax and Revenue Anticipation Notes.*** The District did not issue tax and revenue anticipations notes (“TRANS”) or borrow funds to supplement the District’s cash flow in fiscal years 2021-22 and 2022-23. The District does not currently plan to issue TRANS in fiscal year 2023-24. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

## **Employment**

***General.*** As of the preparation of the Fiscal Year 2023-24 Budget, the District employs approximately 273.06 full-time equivalent (“FTE”) employees, including approximately 152.30 FTE certificated (credentialed teaching) staff, approximately 87.43 FTE classified (non-teaching) staff, and approximately 33.33 FTE management personnel. For fiscal year 2021-22, the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District were approximately \$19.22 million and \$5.17 million, respectively. As of the Fiscal Year 2022-23 Estimated Actuals, the District estimates that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately \$19.93 million and \$6.09 million, respectively, in fiscal year 2022-23. As of the Fiscal Year 2023-24 Budget, the District budgets that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately \$20.84 million and \$6.46 million, respectively, in fiscal year 2023-24. These employees, except unrepresented management employees, are represented by the San Carlos Teachers Association, SCTA/NEA (“SCTA”) and California School Employees Association, Chapter 263 (“CSEA”) as described in more detail below.

***SCTA.*** SCTA represents approximately 152.30 FTE certificated (credentialed teaching) employees in the District. The District and SCTA entered into a multi-year contract effective July 1, 2021 that expires on June 30, 2024 and provides for the ability to reopen and renegotiate certain terms of the contract each year. The District and SCTA reached an agreement with respect to salary for fiscal year 2023-24 reopeners, which includes a salary schedule increase of roughly 5.0%. Due to the timing of the approval of the SCTA agreement, the salary adjustments are not reflected in salary expenditures in the District’s Fiscal Year 2023-24 Budget. However, the District set aside approximately \$989,225 in the Fiscal Year 2023-24 Budget to address the potential financial impact of reopener negotiations with SCTA for fiscal year 2023-24, and such financial impact, based on the required A.B. 1200 financial impact analysis, will not exceed the amount set aside in fiscal year 2023-24. The District has fund sources both in and outside the District’s general fund that it could use to fund the salary increases for fiscal year 2023-24 and expects to allocate funds when it completes its first interim budget reporting.

***CSEA.*** CSEA represents approximately 87.43 FTE classified (non-teaching) employees in the District. The District and CSEA entered into a tentative agreement effective July 1, 2021 that expires on June 30, 2024, and provides for the ability to reopen and renegotiate certain terms of the contract each year. Negotiations between the District and CSEA for fiscal year 2023-24 reopeners have not started.

## **Retirement Benefits**

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

***CalSTRS.*** The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date,

age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Assembly Bill 1469, signed into law by former Governor Brown as part of the fiscal year 2014-15 State budget, increased employee, employer and State contributions to CalSTRS as part of a plan to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014.

Pursuant to AB 1469, since fiscal year 2021-22, the State Teachers' Retirement Board is authorized to modify the percentages paid by employers and employees to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations and subject to certain limitations. The State Teachers' Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers' Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and contribution rates or the amount the District will be required to pay for pension related costs in future fiscal years.

The employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate as a result of the State redirecting certain State supplemental pension payments to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. For fiscal year 2022-23, the employer contribution rate was approximately 19.10% of covered payroll and will remain at 19.10% for fiscal year 2023-24. The employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the California Education Code. The State's total contribution was increased from approximately 6.828% of payroll in fiscal year 2017-18 to 10.828% of payroll in fiscal year 2021-22. The State's contribution rate was 10.828% of payroll for fiscal year 2022-23, and will remain at 10.828% for fiscal year 2023-24. The State's contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e. CalSTRS 2% at 60 members) was 10.25% for fiscal years 2016-17 through 2022-23 and will remain at 10.25% for fiscal year 2023-24. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was 9.205% for fiscal years 2016-17 and 2017-18, 10.205% for fiscal years 2018-19 through 2022-23 and will remain at 10.205% for fiscal year 2023-24.

The following table sets forth the District's employer contributions from all applicable funds of the District to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2019-20 through 2021-22, the estimated contributions for fiscal year 2022-23, and the budgeted contributions for fiscal year 2023-24.

**SAN CARLOS SCHOOL DISTRICT**  
**(County of San Mateo, California)**  
**Contributions to CalSTRS for Fiscal Years 2019-20 through 2023-24**

<u>Fiscal Year</u>	<u>District Contribution</u>	<u>State On-Behalf Contribution</u>
2019-20	\$3,085,583	\$2,266,378
2020-21	2,741,877	1,883,689
2021-22	3,199,274	2,037,456
2022-23 <sup>(1)</sup>	3,749,694	2,121,766
2023-24 <sup>(2)</sup>	3,941,061	1,906,047

<sup>(1)</sup> Fiscal Year 2022-23 Estimated Actuals.

<sup>(2)</sup> Fiscal Year 2023-24 Budget.

Source: San Carlos School District.

The District's total employer contributions to CalSTRS for fiscal years 2019-20 through 2021-22 were equal to 100% of the required contributions for each year.

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2022 (the "2022 CalSTRS Actuarial Valuation") showed an estimated unfunded actuarial liability of \$88.6 billion, a decrease of approximately \$1.2 billion from the June 30, 2021 valuation. Such estimated unfunded actuarial liability was projected to increase in the June 30, 2021 valuation, which projected an unfunded actuarial liability of \$89.8 billion as of June 30, 2022. The actual unfunded actuarial liability as of June 30, 2022 represents a net actuarial gain of approximately \$1.3 billion. Such net actuarial gain is due primarily to member salary increases being more than assumed and market value returns (estimated at negative 2.4%) being less than assumed (7.0%). The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2022 and June 30, 2021, based on the actuarial assumptions, were approximately 74.4% and 73.0%, respectively. According to the 2022 CalSTRS Actuarial Valuation, the funded ratio increased by 1.4% during the past year. As described in the 2022 CalSTRS Actuarial Valuation, the increase in the funded ratio is primarily due to the recognition of deferred investment gains from prior fiscal years that were used to offset the reported negative 2.4% return on investments on the market value of assets for fiscal year 2021-22, which is CalSTRS' first negative return on investments since fiscal year 2008-09. Other factors contributing to such increase include the additional State contributions made in the prior fiscal years and contributions to pay down the unfunded actuarial liability under the State Teachers' Retirement Board's valuation policy. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not increase in the future, subject to the limitations of AB 1469.

The following are certain of the actuarial assumptions set forth in the 2022 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal,

probability of refund, and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2022 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPR (as defined herein). See “– *Governor’s Pension Reform*” below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

**CalPERS.** All qualifying classified employees of K-12 school districts in the State are members in CalPERS. All school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. However, unlike contributions to CalSTRS, which incrementally increase at statutorily set rates, school districts’ contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District’s required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts’ contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of State, national or international events on investment earnings and school district contributions. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2021-22, which increased to 8.00% in fiscal year 2022-23 and will remain at 8.00% for fiscal year 2023-24. School districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and originally 20.733% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.721% as a result of the State’s buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.91%, respectively. The actuarially determined rate for employer contributions was 25.37% for fiscal year 2022-23 and is 26.68% for fiscal year 2023-24.

The following table sets forth the District’s total employer contributions from all applicable funds of the District to CalPERS for fiscal years 2019-20 through 2021-22, the estimated contribution for fiscal year 2022-23, and the budgeted contribution for fiscal year 2023-24.



**SAN CARLOS SCHOOL DISTRICT**  
**(County of San Mateo, California)**  
**Contributions to CalPERS for Fiscal Years 2019-20 through 2023-24**

Fiscal Year	District Contribution
2019-20	\$1,421,320
2020-21	1,286,272
2021-22	1,664,570
2022-23 <sup>(1)</sup>	2,116,326
2023-24 <sup>(2)</sup>	2,417,756

<sup>(1)</sup> Fiscal Year 2022-23 Estimated Actuals.

<sup>(2)</sup> Fiscal Year 2023-24 Budget.

Source: San Carlos School District.

The District's total employer contributions to CalPERS for fiscal years 2019-20 through 2021-22 were equal to 100% of the required contributions for each year.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2022 (the "2022 CalPERS Schools Pool Actuarial Valuation"), which has not been released in full, was presented in summary form to the Finance and Administration Committee of the CalPERS Board of Administration (the "CalPERS Committee") on April 17, 2023. Such summary reported an actuarial accrued liability of approximately \$117.0 billion with the market value of assets at approximately \$79.4 billion, and a funded status of approximately 67.9%. From June 30, 2021 to June 30, 2022, the funded status of the CalPERS Schools Pool decreased by approximately 10.4%, and the unfunded accrued liability increased by approximately \$13.6 billion, largely due to the difference between the expected and actual rate of return on investments.

CalPERS reported a negative 7.50% (before recognition of administrative expenses) return on investments for fiscal year 2021-22, which is CalPERS' first negative return on investments since fiscal year 2008-09. The negative 7.50% return on investments was less than the assumed annual rate of return on investments of 6.80%. Such negative return generated an actuarial investment loss of approximately \$12.40 billion, which will be amortized over 20 years with a five-year phase in, increasing the component of the expected employer contribution rate related to the unfunded liability contribution in fiscal year 2023-24 by 1.69% of payroll. Due to the five-year phase in, the component of the employer contribution rate related to the unfunded liability contribution will increase each year until it reaches an estimated 7.60% of payroll in fiscal year 2027-28. CalPERS, however, does not currently project that the total expected employer contribution rate will increase by 7.60% over the next five years, because the employer contribution rate consists of other components, which are affected by investment and non-investment factors, that are currently expected to offset, to some extent, the impact of the five-year phase in. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases reflected in the 2022 CalPERS Schools Pool Actuarial Valuation. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future.

The 2022 CalPERS Schools Pool Actuarial Valuation as summarized assumes, among other things, 2.30% inflation and payroll growth of 2.80% compounded annually. The 2022 CalPERS Schools Pool Actuarial Valuation as summarized reflects a discount rate of 6.80% compounded annually (net of administrative expenses) as of June 30, 2022. The CalPERS Board of Administration adopted new demographic assumptions on November 17, 2021, including a reduction in the discount rate from 7.00% as of June 30, 2020 to 6.80% as of June 30, 2021, a reduction in the inflation assumption from 2.50% as

of June 30, 2020 to 2.30% as of June 30, 2021, and an increase in payroll growth from 2.75% as of June 30, 2020 to 2.80% as of June 30, 2021. Such assumption changes result in increases in both the normal cost and unfunded liabilities contributions to be paid in the future. The actuarial funding method used in the 2022 CalPERS Schools Pool Actuarial Valuation is the “Entry Age Normal Cost Method.”

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

CalSTRS and CalPERS are more fully described in Notes 7 and 8 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

***Governor’s Pension Reform.*** On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees’ Pension Reform Act of 2012 (“PEPRA”) which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$160,200 for 2023, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

### **Insurance, Risk Pooling and Joint Powers Agreements**

The District participates in a joint venture under a joint powers agreement (“JPA”) with the San Mateo County Schools Insurance Group (SMCSIG) for property and liability, workers’ compensation, vision, dental and cyber liability insurance. The relationship between the District and the JPA is such that the JPA is not component unit of the District for financial reporting purposes. The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. See Note 11 to the District’s audited financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022” for more information.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

### Limitations on Revenues

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

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

***County of Orange v. Orange County Assessment Appeals Board No. 3.*** Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the California Supreme Court declined to review the ruling, leaving the recapture law in place.

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situation.” Any such allocation made to a local agency continues as part of its allocation in future years.

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

## **Article XIII B of the California Constitution**

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

## **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (“Article XIII C” and “Article XIII D,” respectively), 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 XIII C 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 XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

## **Statutory Limitations**

On November 4, 1986, voters of the State approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general

taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the California Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

### **Proposition 98 and Proposition 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"). 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 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, voters of the State approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the California Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the

“excess” tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts’ minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts’ base expenditures for calculating their entitlement for State aid in the following year and would not increase the State’s appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain “qualified capital outlay projects” and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the appropriations limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the “first test”) or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a “credit” to be paid in future years when general fund revenue growth exceeds personal income growth.

#### **Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos***

On February 1, 2012, pursuant to the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

## **Proposition 30 and Proposition 55**

On November 6, 2012, voters of the State approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), approved by voters of the State on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

## **Applications of Constitutional and Statutory Provisions**

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process."

## **Proposition 2**

**General.** Proposition 2, which included certain constitutional amendments to the State Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by voters of the State in the November 2014 election.

**State Rainy Day Fund.** The Proposition 2 constitutional amendments related to the State Rainy Day Fund (i) require deposits into the State Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the State Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multi-year budget forecast; and (vi) create a Proposition 98 reserve (the "Proposition 98 Rainy Day Fund") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Proposition 98 Rainy Day Fund unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

**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 Proposition 98 Rainy Day Fund, 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 A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the California Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the California 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.

**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 Proposition 98 Rainy Day Fund 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 District, which has an A.D.A. of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. For more information on the District’s reserves, current projections with respect to such reserves, and related policies, see “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *School District Reserves*.”

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California 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 Refunding Bonds as and when due.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, 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 revenue.



**APPENDIX B**

**FINANCIAL STATEMENTS OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**SAN CARLOS SCHOOL DISTRICT  
COUNTY OF SAN MATEO  
SAN CARLOS, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2022**



**Chavan & Associates, LLP**

Certified Public Accountants  
15105 Concord Circle, Ste. 130  
Morgan Hill, CA 95037

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**San Carlos School District**  
**County of San Mateo**

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**San Carlos School District**  
**County of San Mateo**

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**FINANCIAL  
SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Trustees  
San Carlos School District  
San Carlos, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the San Carlos School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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**

District 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.





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

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

In performing an audit in accordance with GAAS and GAGAS, 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 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 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability, schedule of contributions for other postemployment benefits, and schedule of changes in net OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental





Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board, organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools, and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.



**Chavan and Associates, LLP**  
Certified Public Accountants

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The District's internal control over financial reporting and compliance.

*C & A LLP*

January 4, 2023  
Morgan Hill, California

## ***Management's Discussion and Analysis***

**San Carlos School District**  
**Management's Discussion and Analysis**  
**June 30, 2022**

---

This discussion and analysis of San Carlos School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2022 are as follows:

- Total net position increased by \$9,594,299 (36%), which included an increase in restricted net position of \$1,457,977 (12%), from June 30, 2021 to June 30, 2022.
- The District recorded deferred outflows of resources of \$10,054,314 and deferred inflows of resources of \$24,557,455 as required by GASB 68 and GASB 75 for pension and benefit accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had \$50,674,113 in government-wide expenses which is 84% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$14,908,138, or 25%, of the total revenues of \$60,268,412.
- General revenue of \$45,360,274 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 75% of total revenues in 2022 versus 71% in 2021.
- The fund balances of all governmental funds increased by \$5,461,219, which is a 29% increase from 2021.
- Total governmental fund revenues and expenditures totaled \$55,387,670 and \$50,326,452, respectively.

**Using the Annual Report**

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand San Carlos School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of San Carlos School District, the General Fund is by far the most significant fund.

**San Carlos School District**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**Overview of the Financial Statements**

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management Discussion and Analysis. These three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, Government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

**Government-wide Financial Statements - Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, and required educational programs.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District has business-type activities for its child care program which is reported in an enterprise fund and in the government-wide financial statements.

**San Carlos School District**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major funds begins with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, the Capital Facilities Fund and the Bond Interest and Redemption Fund.

*Governmental Funds*

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

*Proprietary Funds*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. The District has one proprietary fund, an Enterprise Fund, which is reported separately from the Governmental Funds. The Enterprise Fund is used to account for fee-based Child Care Program operations.



**San Carlos School District**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**The District as a Whole**

Recall that the Statement of Net Position provides a perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022 compared to June 30, 2021:

<b>Table 1 - Summary of Net Position</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current and Other Assets	\$ 27,452,754	\$ 32,175,071	\$ 1,916,488	\$ 1,312,898	\$ 29,369,242	\$ 33,487,969
Capital Assets	112,419,055	115,661,333	-	-	112,419,055	115,661,333
<b>Total Assets</b>	<b>\$ 139,871,809</b>	<b>\$ 147,836,404</b>	<b>\$ 1,916,488</b>	<b>\$ 1,312,898</b>	<b>\$ 141,788,297</b>	<b>\$ 149,149,302</b>
<b>Deferred Outflows</b>	<b>\$ 10,054,314</b>	<b>\$ 12,116,989</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,054,314</b>	<b>\$ 12,116,989</b>
<b>Liabilities</b>						
Current Liabilities	\$ 4,034,307	\$ 14,241,843	\$ 57,875	\$ 26,183	\$ 4,092,182	\$ 14,268,026
Long-Term Liabilities	150,000,515	176,695,060	-	-	150,000,515	176,695,060
<b>Total Liabilities</b>	<b>\$ 154,034,822</b>	<b>\$ 190,936,903</b>	<b>\$ 57,875</b>	<b>\$ 26,183</b>	<b>\$ 154,092,697</b>	<b>\$ 190,963,086</b>
<b>Deferred Inflows</b>	<b>\$ 24,557,455</b>	<b>\$ 6,705,045</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,557,455</b>	<b>\$ 6,705,045</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 6,720,451	\$ 5,879,204	\$ -	\$ -	\$ 6,720,451	\$ 5,879,204
Restricted	11,377,577	10,491,498	1,858,613	1,286,715	13,236,190	11,778,213
Unrestricted	(46,764,182)	(54,059,257)	-	-	(46,764,182)	(54,059,257)
<b>Total Net Position</b>	<b>\$ (28,666,154)</b>	<b>\$ (37,688,555)</b>	<b>\$ 1,858,613</b>	<b>\$ 1,286,715</b>	<b>\$ (26,807,541)</b>	<b>\$ (36,401,840)</b>

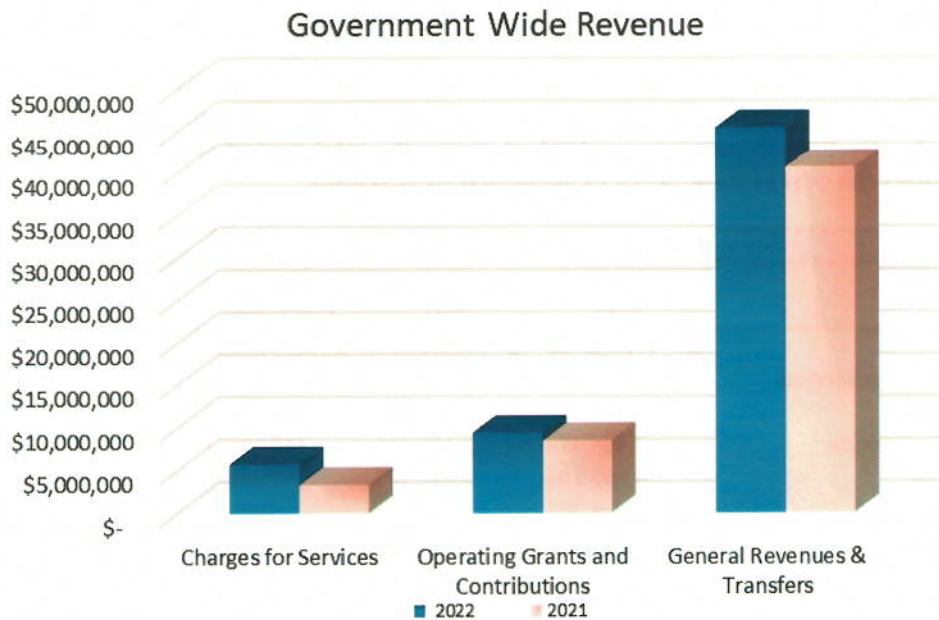


**San Carlos School District**  
**Management's Discussion and Analysis**  
**June 30, 2022**

Table 2 shows the changes in net position for the fiscal year 2022:

<b>Table 2 - Change in Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 724,725	\$ 315,038	\$ 4,898,352	\$ 2,987,106	\$ 5,623,077	\$ 3,302,144
Operating Grants and Contributions	9,265,086	8,405,253	19,975	19,001	9,285,061	8,424,254
Capital Grants and Contributions	-	4,630,726	-	-	-	4,630,726
General Revenues & Transfers	45,797,859	40,611,526	(437,585)	57,085	45,360,274	40,668,611
<b>Total Revenues</b>	<b>55,787,670</b>	<b>53,962,543</b>	<b>4,480,742</b>	<b>3,063,192</b>	<b>60,268,412</b>	<b>57,025,735</b>
<b>Program Expenses</b>						
Instruction	24,346,012	27,447,198	-	-	24,346,012	27,447,198
Instruction-Related Services	3,417,794	3,682,237	-	-	3,417,794	3,682,237
Pupil Services	3,436,851	3,465,391	-	-	3,436,851	3,465,391
General Administration	2,813,711	3,237,174	-	-	2,813,711	3,237,174
Plant Services	4,476,835	3,961,738	-	-	4,476,835	3,961,738
Ancillary Services	8,940	5,126	-	-	8,940	5,126
Other Outgo	532,435	421,454	-	-	532,435	421,454
Enterprise	-	-	3,908,844	2,670,538	3,908,844	2,670,538
Interest on Long-term Debt	4,255,789	4,906,471	-	-	4,255,789	4,906,471
Depreciation	3,476,902	3,498,485	-	-	3,476,902	3,498,485
<b>Total Expenses</b>	<b>46,765,269</b>	<b>50,625,274</b>	<b>3,908,844</b>	<b>2,670,538</b>	<b>50,674,113</b>	<b>53,295,812</b>
<b>Change in Net Position</b>	<b>\$ 9,022,401</b>	<b>\$ 3,337,269</b>	<b>\$ 571,898</b>	<b>\$ 392,654</b>	<b>\$ 9,594,299</b>	<b>\$ 3,729,923</b>

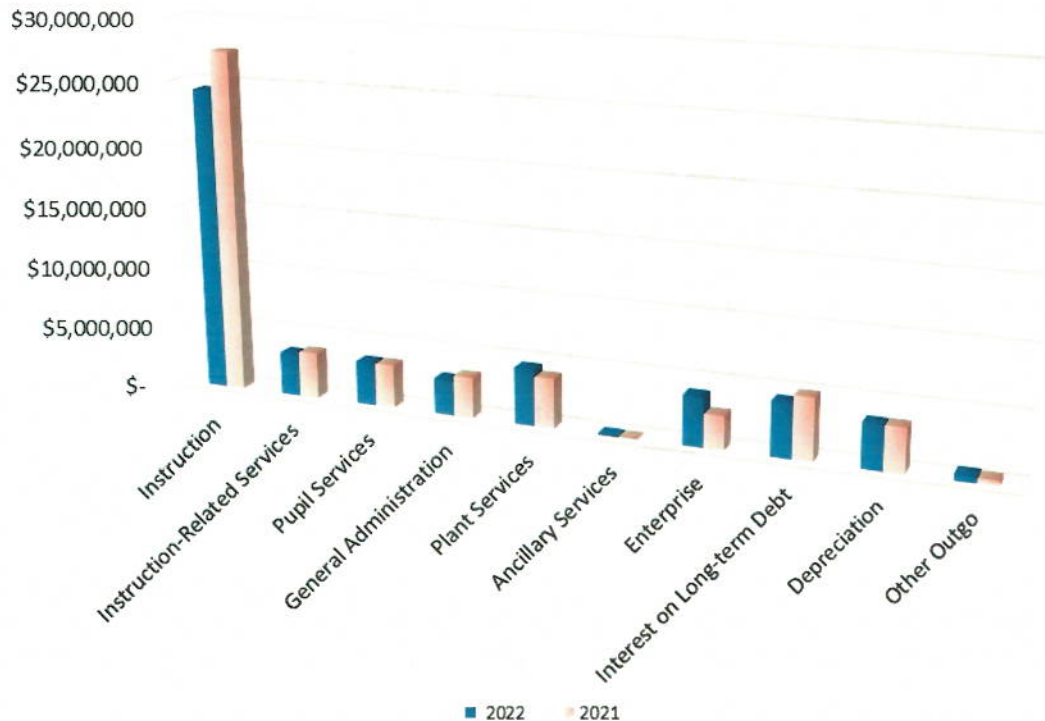
The following chart compares government-wide revenue by category for 2022 and 2021:



**San Carlos School District**  
**Management's Discussion and Analysis**  
June 30, 2022

The next chart compares government-wide expenses by category for 2022 and 2021:

**Government Wide Expenses**



**Governmental Activities**

Direct Instruction, Instruction-Related Services, and Pupil Services represent 62% of total expenses in 2022 versus 68% in 2021. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services and identifies the cost of these services supported by revenues.

Table 3 - Net Cost of Services				
Function	2022	2021	Increase (Decrease)	Percent
Instruction	\$ 19,712,726	\$ 17,838,654	\$ 1,874,072	10.5%
Instruction-Related Services	2,153,679	3,433,693	(1,280,014)	-37.3%
Pupil Services	2,263,673	2,741,896	(478,223)	-17.4%
General Administration	2,684,478	3,119,441	(434,963)	-13.9%
Plant Services	4,097,104	3,581,195	515,909	14.4%
Ancillary Services	4,302	345	3,957	1147.0%
Other	(1,873,195)	(1,845,923)	(27,272)	1.5%
Interest on Long-term Debt	4,255,789	4,906,471	(650,682)	-13.3%
Depreciation	3,476,902	3,498,485	(21,583)	-0.6%
<b>Total Net Cost of Services</b>	<b>\$ 36,775,458</b>	<b>\$ 37,274,257</b>	<b>\$ (498,799)</b>	<b>-1.3%</b>



**San Carlos School District**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**The District's Funds**

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

<b>Table 4 - Change in Fund Balances</b>				
Funds	2022	2021	Increase (Decrease)	Percent
General Fund	\$ 12,994,211	\$ 7,516,211	\$ 5,478,000	72.9%
County School Facilities Fund	3,099,253	4,656,865	(1,557,612)	-33.4%
Bond Interest and Redemption Fund	6,156,203	6,045,567	110,636	1.8%
Nonmajor Governmental Funds	1,925,780	495,585	1,430,195	288.6%
Enterprise Fund	1,858,613	1,286,715	571,898	44.4%
<b>Total Fund Balances</b>	<b>\$ 26,034,060</b>	<b>\$ 20,000,943</b>	<b>\$ 6,033,117</b>	<b>30.2%</b>

**Capital Assets**

Table 5 shows June 30, 2022 capital asset balances compared to June 30, 2021:

<b>Table 5 - Summary of Capital Assets Net of Depreciation</b>				
Capital Asset	2022	2021	Increase (Decrease)	Percent
	Net Capital Assets	Net Capital Assets		
Land	\$ 297,796	\$ 297,796	\$ -	0.0%
Buildings	96,144,388	98,907,043	(2,762,655)	-2.8%
Site Improvements	14,891,783	15,326,772	(434,989)	-2.8%
Equipment	1,085,088	1,129,722	(44,634)	-4.0%
<b>Totals</b>	<b>\$ 112,419,055</b>	<b>\$ 115,661,333</b>	<b>\$ (3,242,278)</b>	<b>-2.8%</b>

See Note 4 for additional information related to the changes in capital assets.

**Long Term Liabilities**

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2022.

<b>Table 6 - Long-term Liabilities</b>				
Type of Liability	2022	2021	Increase (Decrease)	Percent
General Obligation Bonds	\$ 116,403,474	\$ 119,305,531	\$ (2,902,057)	-2.4%
Net Pension Liabilities	23,179,262	47,247,869	(24,068,607)	-50.9%
Total OPEB Liability	10,261,839	10,018,811	243,028	2.4%
Compensated absences	155,940	122,849	33,091	26.9%
<b>Total Debt</b>	<b>\$ 150,000,515</b>	<b>\$ 176,695,060</b>	<b>\$ (26,694,545)</b>	<b>-15.1%</b>

**San Carlos School District**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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**General Fund Budgetary Highlights**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revised its budget at First and Second Interim. The Original budget presented in the required supplementary information section includes only new revenues for 2022. During the budget revision process the District accounts for prior year ending balances by budgeting to use the carryover. Budgeted revenue increased by \$6,551,341 from adopted to final and budgeted expenditures increased by \$3,826,558 from adopted to final during the year.

**Factors Bearing on the District's Future**

The District relies on funding from the State and revenues are closely tied to the State's economic position. This is a major factor affecting the District's future. While current projections for the economy maintain gradual growth for the next few years, we need to be cautious that a downturn is inevitable and would negatively affect school funding.

Current projections predict flat or decreasing enrollment for the next few years, however the Average Daily Attendance (ADA) for the Local Control Funding Formula will be funded on a rolling three-year average for 2022-23 and expected growth will be calculated on a "COLA only-environment" scenario. Further, District mandated contributions to employee retirement plans and costs of goods and services are rising dramatically over the next few years, which virtually absorbs recent increases in state funding.

The community continues to show its support and acknowledgement of the fiscal challenges facing the District through San Carlos Education Foundation (SCEF), local donations and supporting Measure P, a local parcel tax passed in May 2015 that extended and increased previous parcel taxes. Measure P expired on June 30, 2021. On March 3, 2020, the voters of the San Carlos School District ("District") approved Measure N, which authorized the District to renew and increase the existing parcel tax to \$334.60 per parcel for 8 years.

Future predictions and uncertainties with the changes to the State funding formula, enrollment, new transitional kindergarten and universal meal mandates and aging District facilities require management to plan carefully and prudently to provide the necessary resources to meet the student's needs and continue to keep pace with inflation increases over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the district office of San Carlos School District at 1200 Industrial Road, Unit 9, San Carlos, CA 94070.

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## ***Basic Financial Statements***

**San Carlos School District**  
**Statement of Net Position**  
**June 30, 2022**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 24,734,155	\$ 1,911,722	\$ 26,645,877
Receivables	2,662,406	4,766	2,667,172
Prepaid items	56,193	-	56,193
Capital assets - net	112,419,055	-	112,419,055
<b>Total Assets</b>	<b>\$ 139,871,809</b>	<b>\$ 1,916,488</b>	<b>\$ 141,788,297</b>
<b>Deferred Outflows of Resources</b>			
OPEB adjustments	\$ 1,938,713	\$ -	\$ 1,938,713
Pension adjustments	8,115,601	-	8,115,601
<b>Total Deferred Outflows of Resources</b>	<b>\$ 10,054,314</b>	<b>\$ -</b>	<b>\$ 10,054,314</b>
<b>Liabilities</b>			
Accounts payable	\$ 2,692,073	\$ 57,875	\$ 2,749,948
Unearned revenue	585,234	-	585,234
Accrued interest	757,000	-	757,000
Long-term liabilities:			
Due within one year	5,282,000	-	5,282,000
Due after one year	144,718,515	-	144,718,515
<b>Total Liabilities</b>	<b>\$ 154,034,822</b>	<b>\$ 57,875</b>	<b>\$ 154,092,697</b>
<b>Deferred Inflows of Resources</b>			
OPEB adjustments	\$ 4,140,284	\$ -	\$ 4,140,284
Pension adjustments	20,417,171	-	20,417,171
<b>Total Deferred Inflows of Resources</b>	<b>\$ 24,557,455</b>	<b>\$ -</b>	<b>\$ 24,557,455</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 6,720,451	\$ -	\$ 6,720,451
Restricted for:			
Educational programs	2,920,766	-	2,920,766
Cafeteria programs	59,578	-	59,578
Debt service	3,549,013	-	3,549,013
Capital projects	4,848,220	-	4,848,220
Child care program	-	1,858,613	1,858,613
Unrestricted	(46,764,182)	-	(46,764,182)
<b>Total Net Position</b>	<b>\$ (28,666,154)</b>	<b>\$ 1,858,613</b>	<b>\$ (26,807,541)</b>

*The notes to basic financial statements are an integral part of this statement*

**San Carlos School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Expenses						
Governmental activities:							
Instruction	\$ 24,346,012	\$ 186,643	\$ 4,446,643	\$ -	\$ (19,712,726)	\$ -	\$ (19,712,726)
Instruction-related services:							
Supervision of instruction	453,062	5,566	776,885	-	329,389	-	329,389
Instruction library, media and technology	272,184	904	235,349	-	(35,931)	-	(35,931)
School site administration	2,692,548	1,302	244,109	-	(2,447,137)	-	(2,447,137)
Pupil services:							
Home-to-school transportation	317,887	2,364	31,090	-	(284,433)	-	(284,433)
Food services	407,753	323,337	86,343	-	1,927	-	1,927
All other pupil services	2,711,211	44,751	685,293	-	(1,981,167)	-	(1,981,167)
General administration:							
Data processing	672,391	4,661	75,167	-	(592,563)	-	(592,563)
All other general administration	2,141,320	853	48,552	-	(2,091,915)	-	(2,091,915)
Plant services:	4,476,835	1,969	377,762	-	(4,097,104)	-	(4,097,104)
Ancillary services	8,940	4,638	-	-	(4,302)	-	(4,302)
Other outgo	532,435	147,737	2,257,893	-	1,873,195	-	1,873,195
Interest on long-term debt	4,255,789	-	-	-	(4,255,789)	-	(4,255,789)
Depreciation	3,476,902	-	-	-	(3,476,902)	-	(3,476,902)
Total governmental activities	<u>\$ 46,765,269</u>	<u>\$ 724,725</u>	<u>\$ 9,265,086</u>	<u>\$ -</u>	<u>\$ (36,775,458)</u>		<u>\$ (36,775,458)</u>
Business-type activities:							
Enterprise activities	<u>\$ 3,908,844</u>	<u>\$ 4,898,352</u>	<u>\$ 19,975</u>	<u>\$ -</u>		<u>1,009,483</u>	<u>1,009,483</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					32,788,355	-	32,788,355
Taxes levied for debt service					7,306,102	-	7,306,102
Taxes levied for other specific purposes					4,754,165	-	4,754,165
Federal and state aid not restricted to specific purposes					(66,745)	-	(66,745)
Interest and investment earnings					(552,456)	(37,585)	(590,041)
Miscellaneous					1,168,438	-	1,168,438
Transfers					400,000	(400,000)	-
Total general revenues and transfers					<u>45,797,859</u>	<u>(437,585)</u>	<u>45,360,274</u>
Change in net position					9,022,401	571,898	9,594,299
Net position beginning					<u>(37,688,555)</u>	<u>1,286,715</u>	<u>(36,401,840)</u>
Net position ending					<u>\$ (28,666,154)</u>	<u>\$ 1,858,613</u>	<u>\$ (26,807,541)</u>

*The notes to basic financial statements are an integral part of this statement*



**San Carlos School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 13,555,012	3,090,030	\$ 6,141,431	\$ 1,947,682	\$ 24,734,155
Accounts receivable	2,603,646	9,223	14,772	34,765	2,662,406
Due from other funds	-	-	-	2,635	2,635
Prepaid items	48,063	-	-	8,130	56,193
<b>Total Assets</b>	<b>\$ 16,206,721</b>	<b>\$ 3,099,253</b>	<b>\$ 6,156,203</b>	<b>\$ 1,993,212</b>	<b>\$ 27,455,389</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,624,863	\$ -	\$ -	\$ 67,210	\$ 2,692,073
Due to other funds	2,413	-	-	222	2,635
Unearned revenue	585,234	-	-	-	585,234
<b>Total Liabilities</b>	<b>3,212,510</b>	<b>-</b>	<b>-</b>	<b>67,432</b>	<b>3,279,942</b>
<b>Fund balances:</b>					
Nonspendable:					
Revolving fund	10,000	-	-	-	10,000
Prepaid items	48,063	-	-	8,130	56,193
Restricted for:					
Educational programs	2,920,766	-	-	-	2,920,766
Cafeteria programs	9,409	-	-	50,169	59,578
Debt service	-	-	6,156,203	-	6,156,203
Capital projects	-	3,099,253	-	1,867,481	4,966,734
Assigned for:					
Educational programs	4,616,254	-	-	-	4,616,254
Deferred maintenance	1,000,208	-	-	-	1,000,208
Other postemployment benefits	1,371,330	-	-	-	1,371,330
Unassigned:					
Reserve for economic uncertainties	3,018,181	-	-	-	3,018,181
<b>Total Fund Balances</b>	<b>12,994,211</b>	<b>3,099,253</b>	<b>6,156,203</b>	<b>1,925,780</b>	<b>24,175,447</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,206,721</b>	<b>\$ 3,099,253</b>	<b>\$ 6,156,203</b>	<b>\$ 1,993,212</b>	<b>\$ 27,455,389</b>

*The notes to basic financial statements are an integral part of this statement*

**San Carlos School District**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**June 30, 2022**

Total fund balances - governmental funds		\$ 24,175,447
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	\$ 157,805,127	
Accumulated depreciation	<u>(45,386,072)</u>	112,419,055
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 accrued interest at the end of the period was:		
		(757,000)
Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.		
		8,115,601
The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.		
		(20,417,171)
The differences between projected and actual amounts in OPEB plans are not included in the plan's actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the Statement of Net Position.		
		(2,201,571)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds	\$ 116,403,474	
Net pension obligations	23,179,262	
Total OPEB liability	10,261,839	
Compensated absences	<u>155,940</u>	<u>(150,000,515)</u>
Total net position - governmental activities		<u>\$ (28,666,154)</u>

*The notes to basic financial statements are an integral part of this statement*

**San Carlos School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2022**

	General Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
LCFF Sources	\$ 32,094,716	\$ -	\$ -	\$ -	\$ 32,094,716
Federal	1,013,858	-	-	81,249	1,095,107
Other state	4,720,802	-	23,760	30,588	4,775,150
Other local	9,828,168	(60,342)	7,129,934	524,937	17,422,697
<b>Total revenues</b>	<b>47,657,544</b>	<b>(60,342)</b>	<b>7,153,694</b>	<b>636,774</b>	<b>55,387,670</b>
<b>Expenditures:</b>					
Instruction	26,839,483	-	-	-	26,839,483
Instruction-related services:					
Supervision of instruction	500,143	-	-	-	500,143
Instruction library, media and technology	300,469	-	-	-	300,469
School site administration	2,972,353	-	-	-	2,972,353
Pupil services:					
Home-to-school transportation	350,921	-	-	-	350,921
Food services	8,674	-	-	441,452	450,126
All other pupil services	2,992,956	-	-	-	2,992,956
General administration:					
Data processing	742,265	-	-	-	742,265
All other general administration	2,312,951	-	-	50,892	2,363,843
Plant services	3,894,872	-	-	133,473	4,028,345
Facility acquisition and construction	-	-	-	1,062,327	1,062,327
Ancillary services	8,940	-	-	-	8,940
Transfers between agencies	532,435	-	-	-	532,435
Debt service:					
Principal	132,493	-	3,970,000	-	4,102,493
Interest and fees	6,295	-	3,073,058	-	3,079,353
<b>Total expenditures</b>	<b>41,595,250</b>	<b>-</b>	<b>7,043,058</b>	<b>1,688,144</b>	<b>50,326,452</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,062,294</b>	<b>(60,342)</b>	<b>110,636</b>	<b>(1,051,370)</b>	<b>5,061,218</b>
<b>Other financing sources (uses):</b>					
Transfers in	400,000	-	-	2,780,415	3,180,415
Transfers out	(984,294)	(1,497,270)	-	(298,850)	(2,780,414)
<b>Total other financing sources (uses)</b>	<b>(584,294)</b>	<b>(1,497,270)</b>	<b>-</b>	<b>2,481,565</b>	<b>400,001</b>
<b>Changes in fund balances</b>	<b>5,478,000</b>	<b>(1,557,612)</b>	<b>110,636</b>	<b>1,430,195</b>	<b>5,461,219</b>
<b>Fund balances beginning</b>	<b>7,516,211</b>	<b>4,656,865</b>	<b>6,045,567</b>	<b>495,585</b>	<b>18,714,228</b>
<b>Fund balances ending</b>	<b>\$ 12,994,211</b>	<b>\$ 3,099,253</b>	<b>\$ 6,156,203</b>	<b>\$ 1,925,780</b>	<b>\$ 24,175,447</b>

*The notes to basic financial statements are an integral part of this statement*

**San Carlos School District**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**

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Total net change in fund balances - governmental funds	\$ 5,461,219
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions of \$234,624 was less than depreciation expense of \$3,476,902

(3,242,279)

The governmental funds report long-term debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of prepaid issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

General obligation bond principal	\$ 3,970,000	
Accreted Interest	(1,401,080)	
Amortization of bond premiums	333,137	2,902,057

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

24,000

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was less than vacation used.

(33,091)

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.

4,688,956

In governmental funds, actual contributions to pension and OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.

(778,461)

Change in net position of governmental activities	\$ 9,022,401
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*The notes to basic financial statements are an integral part of this statement*

**San Carlos School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

	Enterprise Fund
	Child Care Program
<b>Assets</b>	
Current Assets:	
Cash and investments	\$ 1,911,722
Accounts receivable	4,766
	<u>                    </u>
Total Assets	<u>\$ 1,916,488</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 57,875
	<u>                    </u>
Total Liabilities	<u>\$ 57,875</u>
<b>Net Position</b>	
Restricted	\$ 1,858,613
	<u>                    </u>
Total Net Position	<u>\$ 1,858,613</u>

*The notes to basic financial statements are an integral part of this statement*

**San Carlos School District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2022**

	Enterprise Fund Child Care Program
<b>Operating Revenues</b>	
Other state	\$ 19,975
Local revenue	4,898,352
Total Operating Revenue	<u>4,918,327</u>
<b>Operating Expenses</b>	
Certificated salaries	131,177
Classified salaries	2,262,534
Employee benefits	1,066,576
Books and supplies	107,809
Services and other operating expenses	340,748
Total Operating Expenses	<u>3,908,844</u>
Operating Income (Loss)	1,009,483
<b>Nonoperating Revenues (Expenses):</b>	
Interest income	<u>(37,585)</u>
Income Before Transfers	971,898
Transfers to Other Funds	<u>(400,000)</u>
<b>Change in Net Position</b>	571,898
<b>Beginning Net Position</b>	<u>1,286,715</u>
<b>Ending Net Position</b>	<u>\$ 1,858,613</u>

*The notes to basic financial statements are an integral part of this statement*

**San Carlos School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**June 30, 2022**

	Enterprise Fund Child Care Program
<b>Cash Flows from Operating Activities</b>	
Cash received from services	\$ 5,182,980
Cash paid to employees	(3,460,287)
Cash paid for supplies and services	(416,865)
Net cash provided by (used for) operating activities	<u>1,305,828</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers to other funds	(399,937)
Net cash provided by (used for) noncapital financing activities	<u>(399,937)</u>
<b>Cash Flows from Investing Activities</b>	
Interest income (loss)	(37,585)
Net cash provided by (used for) investing activities	<u>(37,585)</u>
Increase (Decrease) in Cash and Cash Equivalents	868,306
Cash and Cash Equivalents - Beginning	<u>1,043,416</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,911,722</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income (loss)	\$ 1,009,483
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	264,653
Increase (decrease) in accounts payable	31,692
Net cash provided by operating activities	<u>\$ 1,305,828</u>

*The notes to basic financial statements are an integral part of this statement*

***Notes to the Basic Financial Statements***



**San Carlos School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2022

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**1. SIGNIFICANT ACCOUNTING POLICIES**

**A. Accounting Principles**

San Carlos 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 account policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

**B. Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The San Carlos Educational Foundation does not meet the definition of a component unit as defined above and has not been included in the District's June 30, 2022 government-wide financial statements.

**C. Basis of Presentation**

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund of activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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

**Fund Financial Statements:**

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

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

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from non-exchange transactions or ancillary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the 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. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

**San Carlos School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2022

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Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply.

The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

**Deferred Outflows/Deferred Inflows:**

In addition to assets, the Statement of Net Position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the District's benefit plans liability reported which is in the Statement of Net Position.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**Unearned Revenue:**

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

**Unavailable Revenue:**

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

**Expenses/Expenditures:**

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

**E. Fund Accounting**

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

**Major Governmental Funds:**

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Student Activity Fund, the Deferred Maintenance Fund, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits. This fund is not substantially composed of restricted or committed revenue sources and does not meet the definition of a special revenue fund. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

- The *County School Facilities Fund* is used to account for apportionments from the State Schools Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects and facility hardship grants.
- The *Bond Interest and Redemption Fund* is used to account for taxes received and expended on interest and the redemption of principal of general obligation bonds.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**Non-major Governmental Funds:**

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue funds:

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.
- *Capital Projects Funds* are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects funds:
- The *Building Fund* is used to account for the acquisition and construction of major governmental capital facilities and buildings from the sale of bond proceeds.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act ("CEQA").

**Proprietary Funds:**

*Proprietary Fund* reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

- *Child Care Program* - The Enterprise Fund is used to account for revenue and expenses for a fee-based Child Care Program.

**Fiduciary Funds:**

*Fiduciary Fund* reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District did not report any fiduciary funds.

**F. Budgets and Budgetary Accounting**

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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

**G. Encumbrances**

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

**H. Benefit Plans**

**Pensions:**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) plans and additions/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**Other Postemployment Benefits Other Than Pensions (OPEB):**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on the when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2022

**I. Assets, Liabilities, and Equity**

**a) Cash and Investments**

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

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

**b) Fair Value Measurements**

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- **Market approach** - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- **Cost approach** - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- **Income approach** - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

**c) Inventories and Prepaid Expenditures**

***Inventories***

Inventories are recorded using the consumption method, in that expenditures are recorded when inventory is used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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*Prepaid expenditures*

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

d) Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	10-20
Buildings	25-50
Building improvements	10-20
Furniture and fixtures	5-15
Equipment	5-15
Computer equipment	5-15
Office equipment	5-15

e) Compensated Absences

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

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

f) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred.



**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

**g) Fund Balance Policy and Classifications**

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 operating expenditures and other financing uses.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Superintendent and the Chief Business Official.
- Unassigned includes positive fund balances within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**h) Net Position**

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. 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. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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of June 30, 2022, capital assets net of accumulated depreciation totaling \$112,419,055 was reduced by related debt of \$105,817,118, which excluded accreted interest of \$8,312,303 and premiums attributed to cash reserves for debt service of \$2,274,053. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*Educational program* restrictions reflect the amounts to be expended on specific school programs that are legally restricted.

*Cafeteria Program* restrictions reflect the cash balances in the Cafeteria fund that are restricted for food services and child nutrition programs.

*Debt Service* restrictions reflect assets net of related liabilities in the debt service funds of \$6,156,203 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of \$2,274,053.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

*Unrestricted net position* reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

j) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after March 17 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**k) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

**l) Interfund Transactions**

In the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the government and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and 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 source/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**m) Accounting Estimates**

The presentation of 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 reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**J. Implemented Accounting Pronouncements**

**GASB issued Statement No. 87, *Leases***

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As of June 30, 2022, management determined the District did not have any material contracts that were required to be recognized and reported as leases under the requirements of GASB 87.

**K. Upcoming Accounting and Reporting Changes**

District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

*GASB Statement No. 91, Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged.

*GASB Statement No. 94, Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged.

**San Carlos School District**  
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**GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*. GASB 96 is effective for fiscal years beginning after June 15, 2022.

**GASB Statement No. 99, *Omnibus 2022***

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – *Leases*, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

**Effective Date:** The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

**GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62***

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**GASB Statement No. 101, *Compensated Absences***

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting

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period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

## **2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2022 is as follows:

Description	Carrying Amount	Fair Value
<b>Government-Wide Statements:</b>		
Cash in revolving funds	\$ 10,000	\$ 10,000
Cash with County	26,131,051	26,131,051
Cash on hand and in banks	504,826	504,826
Total Cash and Investments	<u>\$ 26,645,877</u>	<u>\$ 26,645,877</u>

### **Cash in Banks and in Revolving Funds**

Cash balances in banks and revolving funds are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2022, bank balances totaling \$953,258 exceeded FDIC by \$693,258.

### **Cash in County Treasury**

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

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For the Year Ended June 30, 2022

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**Fair Value Measurements**

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2022:

Investments in the San Mateo 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.

**Policies and Practices**

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of San Mateo Investment Pool. The pool has a fair value of approximately \$1.91 billion and an amortized book value of \$1.98 billion.

**Credit Risk**

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County of San Mateo Investment Pool is governed by the County's general investment policy. The investment with the County of San Mateo Investment Pool is rated at least A-1 by Moody's Investor Service.

**Custodial Credit Risk - Deposits**

Custodial credit risk 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral

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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.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are, therefore, exempt.

**3. ACCOUNTS RECEIVABLE**

Account receivable consisted of the following as of June 30, 2022:

Description	General Fund	County School Facilities	Bond Interest & Redemption Fund	Nonmajor Funds	Total	Enterprise Funds
Federal	\$ 875,996	\$ -	\$ -	\$ 20,563	\$ 896,559	\$ -
State	1,238,873	-	-	256	1,239,129	-
Local resources:						
LCFF	488,570	-	-	13,874	502,444	-
Other resources	208	9,223	14,772	72	24,275	4,766
Total	\$ 2,603,646	\$ 9,223	\$ 14,772	\$ 34,765	\$ 2,662,406	\$ 4,766

**4. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activities for the year ended June 30, 2022 were as follows:

Capital Assets	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Land - not depreciable	\$ 297,796	\$ -	\$ -	\$ 297,796
Buildings	129,832,413	-	-	129,832,413
Improvements of sites	24,912,071	161,655	-	25,073,726
Equipment	2,528,223	72,969	-	2,601,192
Total capital assets	157,570,503	234,624	-	157,805,127
Less accumulated depreciation for:				
Buildings	30,925,370	2,762,655	-	33,688,025
Improvements of sites	9,585,299	596,644	-	10,181,943
Equipment	1,398,501	117,603	-	1,516,104
Total accumulated depreciation	41,909,170	3,476,902	-	45,386,072
Total capital assets - net depreciation	\$ 115,661,333	\$ (3,242,278)	\$ -	\$ 112,419,055

Depreciation expense totaling \$3,476,902 was charged to governmental activities as unallocated for the fiscal year ended June 30, 2022.



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**5. INTERFUND TRANSACTIONS**

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

*Interfund Transfers*

Interfund transfers included the following during the year:

Description	Transfers In	Transfers Out
General Fund	\$ 400,000	\$ 984,294
County School Facilities Fund	-	1,497,270
Nonmajor Funds	2,780,415	298,850
Proprietary Funds	-	400,001
<b>Totals</b>	<b>\$ 3,180,415</b>	<b>\$ 3,180,415</b>

**6. LONG-TERM LIABILITIES**

**Schedule of Changes in Long-term Liabilities**

The following summarizes the District's changes in long-term liabilities for the fiscal year ended June 30, 2022:

Description	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
General Obligation Bonds	\$ 119,305,531	\$ 1,401,080	\$ 4,303,137	\$ 116,403,474	\$ 5,204,000
Net Pension Liability	47,247,869	14,393,135	38,461,742	23,179,262	-
Total OPEB Liability	10,018,811	6,281,695	6,038,667	10,261,839	-
Compensated Absences	122,849	106,091	73,000	155,940	78,000
<b>Total Long-term Liabilities</b>	<b>\$ 176,695,060</b>	<b>\$ 22,182,001</b>	<b>\$ 48,876,546</b>	<b>\$ 150,000,515</b>	<b>\$ 5,282,000</b>

Payments on bonds were made from the Bond Interest and Redemption Fund using local revenues. Compensated absences, other postemployment benefits and pension liabilities are paid by the fund for which the employee worked. Capital leases were paid from the General Fund.

**San Carlos School District**  
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**Limited and General Obligation Bonds Payable**

The following summarizes the bonds outstanding as of June 30, 2022:

Bond	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 01, 2021	Issued	Redeemed	Bonds Outstanding June 30, 2022
2005 Election Series A	2030	3.9-5.05	\$ 4,318,665	\$ -	\$ -	\$ -	\$ -
2005 Election Series 2008	2033	2-5	4,036,332	137,076	-	-	137,076
2013 Refunding Series 2013	2022	2-4	7,585,000	3,140,000	-	1,485,000	1,655,000
2012 Election Series 2013	2042	2-5	15,000,000	13,635,000	-	-	13,635,000
2012 Election Series 2014	2045	2-5	20,997,899	19,927,899	-	-	19,927,899
2012 Election Series 2015	2036	2-5	35,999,654	34,714,654	-	465,000	34,249,654
2015 Refunding Bonds	2025	2-5	11,275,000	5,560,000	-	1,280,000	4,280,000
2016 Refunding Bonds	2033	2	7,596,489	7,371,489	-	90,000	7,281,489
2021 Refunding Bond	2031	1.51	25,301,000	25,301,000	-	650,000	24,651,000
Subtotal General Obligation Bonds			132,110,039	109,787,118	-	3,970,000	105,817,118
Accreted Interest				6,911,223	1,401,080	-	8,312,303
Bond Premiums				2,607,190	-	333,137	2,274,053
Total General Obligation Bonds				\$ 119,305,531	\$ 1,401,080	\$ 4,303,137	\$ 116,403,474

The annual debt service requirements of the bonds are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 5,204,000	\$ 3,020,948	\$ 8,224,948
2024	4,549,000	2,878,542	7,427,542
2025	4,995,000	2,753,671	7,748,671
2026	4,549,238	2,754,973	7,304,211
2027	4,322,236	2,774,818	7,097,054
2028-2032	20,698,757	17,545,330	38,244,087
2033-2037	12,763,742	21,248,229	34,011,971
2038-2042	20,910,145	10,209,338	31,119,483
2043-2047	27,825,000	2,347,622	30,172,622
Total Debt Service	\$ 105,817,118	\$ 65,533,471	\$ 171,350,589

**7. CALPERS PENSION PLAN**

**General Information about the PERS Pension Plan**

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for

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non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<b>CalPERS</b>	
	<b>Classic</b>	<b>PEPRA</b>
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	22.910%	22.910%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For fiscal year ending June 30, 2022, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2022 the District's contributions were as follows:

	<b>CalPERS</b>
Contributions - employer	<u>\$ 1,664,570</u>

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS***

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
CalPERS	<u>\$ 8,762,107</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the

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pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	<u>CalPERS</u>
Proportion - June 30, 2021	0.04976%
Proportion - June 30, 2022	0.04309%
Change - Increase/(Decrease)	<u>-0.00667%</u>

For the year ended June 30, 2022, the District recognized pension expense of \$1,662,620 for the Plan.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalPERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ -
Differences between Expected and Actual Experience	261,571	20,656
Differences between Projected and Actual Investment Earnings	-	3,362,636
Differences between Employer's Contributions and Proportionate Share of Contributions	4,157	235,240
Change in Employer's Proportion	-	1,956,700
Pension Contributions Made Subsequent to Measurement Date	1,664,570	-
<b>Total</b>	<u>\$ 1,930,298</u>	<u>\$ 5,575,232</u>

The District reported \$1,664,570 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2023	\$ (1,566,425)
2024	(1,495,991)
2025	(1,311,873)
2026	(935,214)
2027	-
Thereafter	-
<b>Total</b>	<u>\$ (5,309,503)</u>

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**For the Year Ended June 30, 2022**

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. 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

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calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class (a)	Assumed	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
	Asset Allocation		
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.
- (d) Figures are based on the previous ALM of 2017.

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

	<u>CalPERS</u>
1% Decrease	6.15%
Net Pension Liability	\$ 14,774,142
Current	7.15%
Net Pension Liability	\$ 8,762,107
1% Increase	8.15%
Net Pension Liability	\$ 3,770,827

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

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For the Year Ended June 30, 2022

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**8. CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS) PENSION PLAN**

***General Information about the STRS Pension Plan***

**Plan Description** - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

**Benefits Provided** - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

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

	<b>CalSTRS</b>	
	<b>Tier 1</b>	<b>Tier 2</b>
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.920%	16.920%
Required State contribution rates	10.828%	10.828%

**Contributions** - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2022, the District's contributions were as follows:

	<b>CalSTRS</b>
Employer Contributions	\$ 3,199,274
State Contributions	2,037,456
Total	<u>\$ 5,236,730</u>

**San Carlos School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2022

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***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS***

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
District	\$ 14,417,155
State	7,254,136
Total	<u>\$ 21,671,291</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 10.47 percent of the members' creditable earnings from the fiscal year ending in the prior calendar. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	<b>CalSTRS</b>
Proportion - June 30, 2021	0.03300%
Proportion - June 30, 2022	0.03168%
Change - Increase/(Decrease)	<u>-0.00132%</u>

For the year ended June 30, 2022, the District recognized pension expense of \$5,155,786 for the Plan which included the state contribution of \$2,037,456.



**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalSTRS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 2,042,758	\$ -
Differences between Expected and Actual Experience	36,116	1,534,286
Differences between Projected and Actual Investment Earnings	-	11,404,341
Differences between Employer's Contributions and Proportionate Share of Contributions	10,973	911,199
Change in Employer's Proportion	896,183	992,113
Pension Contributions Made Subsequent to Measurement Date	3,199,274	-
<b>Total</b>	<b>\$ 6,185,304</b>	<b>\$ 14,841,939</b>

The District reported \$3,199,274 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2023	\$ (2,285,816)
2024	(1,983,267)
2025	(3,085,994)
2026	(3,737,545)
2027	(407,164)
Thereafter	(356,124)
<b>Total</b>	<b>\$ (11,855,910)</b>

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

- (1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB  
(2) Net of investment expense but gross of administrative expenses.  
(3) Based on 110% of the MP-2019 Ultimate Projection

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return (a) (b)</u>
Global Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigation Strategies	10.00%	1.75%
Liquidity	2.00%	-0.35%
Total	<u>100.00%</u>	

- (a) Real return is net of assumed 2.75% inflation.  
(b) 20-year geometric average.

**San Carlos School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2022

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

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability	\$ 29,348,484
Current	7.10%
Net Pension Liability	\$ 14,417,155
1% Increase	8.10%
Net Pension Liability	\$ 2,025,017

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

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description -** The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits for the below groups of employees.

**Benefits Provided -** The following summarizes the benefits in the plan:

	<u>Certificated</u>	<u>Classified</u>
<b>Benefits Provided:</b>	Medical and Dental	Medical and Dental
<b>Duration of Benefits:</b>	7 years but not beyond age 65	7 years but not beyond age 65
<b>Required Services:</b>	25 Years*	15 years plus 1 year for each year retired prior to age 60
<b>Minimum Age:</b>	55	55
<b>Dependent Coverage:</b>	None	None
<b>District contribution %</b>	100%	100%
<b>District cap</b>	Same as active	Same as active

\*20 years if hired prior to July 1, 1992

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**Employees Covered by Benefit Terms** - The benefit terms covered the following employees:

Active employees	277
Inactive employees	65
<b>Total employees</b>	<b>342</b>

**Contributions** - The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions or benefit payments to the OPEB plan during the fiscal year were \$236,404. Total benefit payments included in the measurement period were \$207,081. The actuarially determined contribution for the measurement period was \$637,312. The District's contributions were 0.95% of covered employee payroll during the measurement period June 30, 2021 (reporting period June 30, 2022). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

**Actuarial Assumptions** - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.50%
Salary Increases	2.750%
Healthcare Trend Rate	4.00%
Investment Rate of Return	2.16%, Net of OPEB plan investment expenses, including inflation
Mortality	Certificated: 2020 CalSTRS Mortality Classified: 2017 CalPERS Active Mortality for Miscellaneous Employees
Retirement	Certificated: Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates Classified: Hired 2012 and earlier: 2017 CalPERS 2.0%@55 Rates for Schools Employees. Hired 2013 and later: 2017 CalPERS 2.0%@62 Rates for Schools Employees

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

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**Changes in the Total OPEB Liability** - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2022, for the measurement date of June 30, 2018:

<b>Fiscal Year Ended June 30, 2022 (Measurement Date June 30, 2021)</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 10,018,812</b>	<b>\$ -</b>	<b>\$ 10,018,812</b>
Service cost	1,060,779	-	1,060,779
Interest in Total OPEB Liability	232,082	-	232,082
Balance of diff between actual and exp experience	(1,266,533)	-	(1,266,533)
Balance of changes in assumptions	423,780	-	423,780
Benefit payments	(207,081)	-	(207,081)
<b>Net changes</b>	<b>243,027</b>	<b>-</b>	<b>243,027</b>
<b>Balance at June 30, 2022</b>	<b>\$ 10,261,839</b>	<b>\$ -</b>	<b>\$ 10,261,839</b>
Covered Employee Payroll	\$ 21,819,743		
Total OPEB Liability as a % of Covered Employee Payroll	47.03%		
Service Cost as a % of Covered Employee Payroll	4.86%		
Net OPEB Liability as a % of Covered Employee Payroll	47.03%		

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

**Deferred Inflows and Outflows of Resources** - At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ 4,140,284
Change in assumptions	1,702,309	-
OPEB contribution subsequent to measurement date	236,404	-
<b>Totals</b>	<b>\$ 1,938,713</b>	<b>\$ 4,140,284</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$236,404 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2023. Amounts reported as deferred outflows/inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ (277,994)
2024	(277,994)
2025	(277,994)
2026	(277,994)
2027	(277,994)
Thereafter	(1,048,005)
<b>Total</b>	<b>\$ (2,437,975)</b>

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**OPEB Expense** - The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	\$ 1,060,779
Interest in TOL	232,082
Difference between actual and expected experience	(454,364)
Change in assumptions	176,369
<b>OPEB Expense</b>	<b><u>\$ 1,014,866</u></b>

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

Total OPEB liability ending	\$ 10,261,839
Total OPEB liability beginning	<u>(10,018,812)</u>
Change in total OPEB liability	243,027
Changes in deferred outflows	(276,734)
Changes in deferred inflows	812,169
Employer contributions and implicit subsidy	236,404
<b>OPEB Expense</b>	<b><u>\$ 1,014,866</u></b>

**Sensitivity to Changes in the Municipal Bond Rate** - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a municipal bond rate that is one percentage point lower or one percentage point higher, is as follows:

	<b>Municipal Bond Rate</b>		
	<b>(1% Decrease )</b>	<b>2.16%</b>	<b>(1% Increase )</b>
Total OPEB Liability	\$ 11,678,003	\$ 10,261,839	\$ 8,594,391

**Sensitivity to Changes in the Healthcare Cost Trend Rates** - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	<b>Trend Rate</b>		
	<b>(1% Decrease )</b>	<b>4.00%</b>	<b>(1% Increase )</b>
Total OPEB Liability	\$ 8,654,125	\$ 10,261,839	\$ 11,827,620

## **10. COMMITMENTS AND CONTINGENCIES**

### Litigation

Various claims involving the District arise during the normal course of business. However, management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

**San Carlos School District**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**Federal and State Allowances, Awards and Grants**

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

**11. JOINT POWERS AGREEMENTS**

The District participates in a joint venture under a joint powers agreement (JPA) with San Mateo County Schools Insurance Group (SMCSIG) for property and liability, workers' compensation, vision, and dental insurance. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

The following is a summary of the SMCSIG JPA's most recent financial statement information:

	SMCSIG
	<u>June 30, 2021</u>
Total Assets and Deferred Outflows	\$ 43,845,133
Total Liabilities and Deferred Inflows	20,327,469
Total Equity	23,517,664
Total Revenues	43,521,834
Total Expenditures	40,112,140

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**San Carlos School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (GAAP)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Positive - (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF sources	\$ 28,657,023	\$ 32,275,915	\$ 32,094,716	\$ (181,199)
Federal	756,974	1,207,928	1,013,858	(194,070)
Other state	4,405,921	4,923,073	4,720,802	(202,271)
Other local	13,899,787	15,864,130	9,828,168	(6,035,962)
Total revenues	<u>47,719,705</u>	<u>54,271,046</u>	<u>47,657,544</u>	<u>(6,613,502)</u>
Expenditures:				
Certificated salaries	18,523,279	19,353,191	19,224,377	128,814
Classified salaries	7,339,574	7,600,584	5,168,972	2,431,612
Employee benefits	11,020,024	10,886,436	9,640,272	1,246,164
Books and supplies	1,416,533	1,791,031	1,122,696	668,335
Services and other operating expenditures	6,285,272	7,559,840	5,767,153	1,792,687
Capital outlay	132,818	1,263,582	-	1,263,582
Other outgo	396,721	486,115	532,436	(46,321)
Debt service	139,344	139,344	139,344	-
Total expenditures	<u>45,253,565</u>	<u>49,080,123</u>	<u>41,595,250</u>	<u>7,484,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,466,140</u>	<u>5,190,923</u>	<u>6,062,294</u>	<u>871,371</u>
Other financing sources (uses):				
Transfers in	495,000	6,139,716	400,000	(5,739,716)
Transfers out	(495,000)	(6,139,716)	(984,294)	5,155,422
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(584,294)</u>	<u>(584,294)</u>
Changes in fund balance	<u>\$ 2,466,140</u>	<u>\$ 5,190,923</u>	<u>5,478,000</u>	<u>\$ 287,077</u>
Fund balance beginning			<u>7,516,211</u>	
Fund balance ending			<u>\$ 12,994,211</u>	

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

**San Carlos School District**  
**Schedule of Pension Plan Contributions**  
**For the Year Ended June 30, 2022**

<b>CalPERS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Contractually Required Contributions	\$ 641,507	\$ 728,435	\$ 960,102	\$ 1,139,837	\$ 1,320,093	\$ 1,421,320	\$ 1,286,272	\$ 1,664,570
Contributions in Relation to								
Contractually Required Contributions	641,507	728,435	960,102	1,139,837	1,320,093	1,421,320	1,286,272	1,664,570
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Covered Payroll</b>	<b>\$ 5,449,894</b>	<b>\$ 6,148,687</b>	<b>\$ 6,913,177</b>	<b>\$ 7,339,109</b>	<b>\$ 7,308,676</b>	<b>\$ 7,207,140</b>	<b>\$ 6,213,874</b>	<b>\$ 7,265,692</b>
<b>Contributions as a % of Covered Payroll</b>	<b>11.77%</b>	<b>11.85%</b>	<b>13.89%</b>	<b>15.53%</b>	<b>18.06%</b>	<b>19.72%</b>	<b>20.70%</b>	<b>22.91%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
3.8 Years Remaining Amortization Period  
Inflation Assumed at 2.50%

Investment Rate of Returns set at 7.00%

CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

<b>CalSTRS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Contractually Required Contributions	\$ 1,316,124	\$ 1,632,813	\$ 2,088,766	\$ 2,536,753	\$ 2,910,306	\$ 3,085,583	\$ 2,741,877	\$ 3,199,274
Contributions in Relation to								
Contractually Required Contributions	1,316,124	1,632,813	2,088,766	2,536,753	2,910,306	3,085,583	2,741,877	3,199,274
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Covered Payroll</b>	<b>\$14,821,216</b>	<b>\$15,217,269</b>	<b>\$16,603,863</b>	<b>\$17,579,716</b>	<b>\$17,876,572</b>	<b>\$18,044,345</b>	<b>\$16,977,567</b>	<b>\$18,908,239</b>
<b>Contributions as a % of Covered Payroll</b>	<b>8.88%</b>	<b>10.73%</b>	<b>12.58%</b>	<b>14.43%</b>	<b>16.28%</b>	<b>17.10%</b>	<b>16.15%</b>	<b>16.92%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll Basis  
7 Years Remaining Amortization Period  
Inflation Assumed at 2.75%

Investment Rate of Returns set at 7.10%

Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.

The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.

The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.

The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule provides information about the District's required and actual contributions to CalSTRS during the year.

**San Carlos School District**  
**Schedule of Proportionate Share of Net Pension Liabilities**  
**For the Year Ended June 30, 2022**

<b>CalPERS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
District's Proportion of Net Pension Liability	0.04610%	0.04620%	0.04719%	0.05312%	0.05532%	0.05257%	0.04976%	0.04309%
Proportionate Share of Net Pension Liability	\$ 5,233,472	\$ 6,810,005	\$ 9,319,997	\$ 12,681,146	\$ 14,750,054	\$ 15,319,676	\$ 15,267,899	\$ 8,762,107
Covered Payroll	\$ 4,844,144	\$ 5,449,894	\$ 6,148,687	\$ 6,913,177	\$ 7,339,109	\$ 7,308,676	\$ 7,207,140	\$ 6,213,874
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>108.04%</b>	<b>124.96%</b>	<b>151.58%</b>	<b>183.43%</b>	<b>200.98%</b>	<b>209.61%</b>	<b>211.84%</b>	<b>141.01%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>83.38%</b>	<b>79.43%</b>	<b>73.90%</b>	<b>71.87%</b>	<b>70.85%</b>	<b>70.05%</b>	<b>70.00%</b>	<b>80.97%</b>

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.

This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

<b>CalSTRS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
District's Proportion of Net Pension Liability	0.02693%	0.02680%	0.02733%	0.03100%	0.03300%	0.03300%	0.03300%	0.03168%
District's Proportionate Share of Net Pension Liability	\$ 15,736,222	\$ 18,041,343	\$ 22,108,443	\$ 28,668,490	\$ 30,329,310	\$ 29,804,280	\$ 31,979,970	\$ 14,417,155
State's Proportionate Share of Net Pension Liability Associated with the District	9,502,160	9,541,886	12,585,894	16,959,992	17,365,046	16,260,321	16,485,675	7,254,136
	<u>\$ 25,238,382</u>	<u>\$ 27,583,229</u>	<u>\$ 34,694,337</u>	<u>\$ 45,628,482</u>	<u>\$ 47,694,356</u>	<u>\$ 46,064,601</u>	<u>\$ 48,465,645</u>	<u>\$ 21,671,291</u>
Covered Payroll	\$ 14,184,727	\$ 14,821,216	\$ 15,217,269	\$ 16,603,863	\$ 17,579,716	\$ 17,876,572	\$ 18,044,345	\$ 16,977,567
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>110.94%</b>	<b>121.73%</b>	<b>145.29%</b>	<b>172.66%</b>	<b>172.52%</b>	<b>166.72%</b>	<b>177.23%</b>	<b>84.92%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>76.52%</b>	<b>74.02%</b>	<b>70.04%</b>	<b>69.46%</b>	<b>70.99%</b>	<b>72.56%</b>	<b>71.82%</b>	<b>87.21%</b>

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.

The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.

The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.

The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District's portion of the net pension liability of CalSTRS in compliance with GASB 68.

**San Carlos School District**  
**Schedule of Changes in Total OPEB Liability**  
**For the Year Ended June 30, 2022**

<b>Fiscal Year Ended</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Total OPEB liability</b>					
Service cost	\$ 977,110	\$ 977,110	\$ 976,264	\$ 772,026	\$ 1,060,779
Interest	296,794	296,794	390,311	268,429	232,082
Differences between expected and actual experience	-	-	(4,011,450)	(22,393)	(1,266,533)
Changes of assumptions	-	-	292,575	1,779,162	423,780
Benefit payments	(161,591)	(140,214)	(152,827)	(145,996)	(207,081)
Implicit subsidy fulfilled	-	-	(458,792)	-	-
Net change in Total OPEB Liability	1,112,313	1,133,690	(2,963,919)	2,651,228	243,027
Total OPEB Liability - beginning	8,085,500	9,197,813	10,331,503	7,367,584	10,018,812
Total OPEB Liability - ending	\$ 9,197,813	\$ 10,331,503	\$ 7,367,584	\$ 10,018,812	\$ 10,261,839
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset)	\$ 9,197,813	10,331,503	7,367,584	10,018,812	10,261,839
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 18,542,090	\$ 19,051,997	\$ 19,575,927	\$ 20,114,264	\$ 21,235,760
Net OPEB liability as a percentage of covered employee payroll	49.61%	54.23%	37.64%	49.81%	48.32%
Total OPEB liability as a percentage of covered employee payroll	49.61%	54.23%	37.64%	49.81%	48.32%

**Other Notes**

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

There were no changes in trend rates.

A discount rate of 2.16% was used in the valuation. The interest rate used in the prior valuation was 2.20%.

The interest assumption changed from 2.20% to 2.16%

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## **SUPPLEMENTARY INFORMATION**

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***Nonmajor Governmental Funds  
Combining Schedules***

**San Carlos School District**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	Special Revenue Funds		Capital Projects Funds		
	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund	Totals
<b>Assets</b>					
Cash and investments	\$ 33,662	\$ 179,996	\$ 828,880	905,144	\$ 1,947,682
Accounts receivable	20,563	256	13,752	194	34,765
Due from other funds	444	222	1,969	-	2,635
Prepaid expenses	8,130	-	-	-	8,130
<b>Total Assets</b>	<b>\$ 62,799</b>	<b>\$ 180,474</b>	<b>\$ 844,601</b>	<b>\$ 905,338</b>	<b>\$ 1,993,212</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 4,500	\$ 61,960	\$ 750	\$ -	\$ 67,210
Due to other funds	-	-	222	-	222
<b>Total Liabilities</b>	<b>4,500</b>	<b>61,960</b>	<b>972</b>	<b>-</b>	<b>67,432</b>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid expenditures	8,130	-	-	-	8,130
Restricted for:					
Cafeteria programs	50,169	-	-	-	50,169
Capital projects	-	118,514	843,629	905,338	1,867,481
<b>Total Fund Balances</b>	<b>58,299</b>	<b>118,514</b>	<b>843,629</b>	<b>905,338</b>	<b>1,925,780</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 62,799</b>	<b>\$ 180,474</b>	<b>\$ 844,601</b>	<b>\$ 905,338</b>	<b>\$ 1,993,212</b>

**San Carlos School District**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

	Special Revenue Funds		Capital Projects Funds		
	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund	Totals
Revenues:					
Federal	\$ 81,249	\$ -	\$ -	\$ -	\$ 81,249
Other state	30,588	-	-	-	30,588
Other local	322,646	1,223	230,024	(28,956)	524,937
Total revenues	434,483	1,223	230,024	(28,956)	636,774
Expenditures:					
Food services	441,452	-	-	-	441,452
General administration:					
All other general administration	-	-	50,892	-	50,892
Plant services	-	23,792	109,681	-	133,473
Facilities acquisition and construction	-	1,062,327	-	-	1,062,327
Total expenditures	441,452	1,086,119	160,573	-	1,688,144
Excess (deficiency) of revenues over (under) expenditures	(6,969)	(1,084,896)	69,451	(28,956)	(1,051,370)
Other financing sources (uses):					
Transfers in	50,000	1,497,271	298,850	934,294	2,780,415
Transfers out	-	(298,850)	-	-	(298,850)
Total other financing sources (uses)	50,000	1,198,421	298,850	934,294	2,481,565
Changes in fund balances	43,031	113,525	368,301	905,338	1,430,195
Fund balances beginning	15,268	4,989	475,328	-	495,585
Fund balances ending	\$ 58,299	\$ 118,514	\$ 843,629	\$ 905,338	\$ 1,925,780

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## **COMPLIANCE SECTION**

**San Carlos School District**  
**Organization (Unaudited)**  
**June 30, 2022**

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The San Carlos School District was established in 1916 and is comprised of an area of approximately four square miles located in the southern portion of San Mateo County 14 miles south of San Francisco. There were no changes in the boundaries of the district during the current year. The district is currently operating seven schools of which there are four elementary schools that have grades K-3, two elementary schools that has grades 4-5, two middle schools that have grades 6-8, and one independent charter school, Charter Learning Center (July 1, 1999), that has grades K-8.

The Board of Education for the fiscal year ended June 30, 2022, was comprised of the following members:

**Governing Board**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Neil Layton	Interim Board President	2022
Wendy Dougherty	Vice President	2024
Sarah Cassanego	Clerk	2022
Ben Kornell	Member	2022
Vacant	Member	N/A

**Administration**

Jennifer Frentress, Ed.D.  
Superintendent

Christine Gong  
Chief Financial Officer

**San Carlos School District**  
**Schedule of Average Daily Attendance**  
**For the Fiscal Year Ended June 30, 2022**

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	<b>Total ADA</b>		<b>Classroom Based</b>	
	<b>Second Period Report</b>	<b>Annual Report</b>	<b>Second Period Report</b>	<b>Annual Report</b>
Regular ADA:				
Grades TK/K through three	1,152.66	1,151.85	1,152.66	1,151.85
Grades four through six	850.19	845.89	850.19	845.89
Grades seven and eight	552.74	552.42	552.74	552.42
ADA Totals	<u>2,555.59</u>	<u>2,550.16</u>	<u>2,555.59</u>	<u>2,550.16</u>

**San Carlos School District**  
**Schedule of Instructional Time**  
**For the Fiscal Year Ended June 30, 2022**

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<u>Grade Level</u>	<u>Minutes Requirements</u>	<u>2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<b>San Carlos School District</b>					
Kindergarten	36,000	43,200	180	0	In Compliance
Grade 1	50,400	51,975	180	0	In Compliance
Grade 2	50,400	51,975	180	0	In Compliance
Grade 3	50,400	51,975	180	0	In Compliance
Grade 4	54,000	55,240	180	0	In Compliance
Grade 5	54,000	55,240	180	0	In Compliance
Grade 6	54,000	63,320	180	0	In Compliance
Grade 7	54,000	63,320	180	0	In Compliance
Grade 8	54,000	63,320	180	0	In Compliance

School Districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This Schedule is required of all districts and charter schools, including basic aid districts.



**San Carlos School District**  
**Schedule of Charter Schools (Unaudited)**  
**June 30, 2022**

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The purpose of this schedule is to list 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.

<u>Charter School</u>	<u>Charter School Number</u>	<u>Included in Audit</u>
Charter Learning Center	0001	No

**San Carlos School District**  
**Schedule of Financial Trends and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2022**

	(Budget) <sup>(1)</sup>			
	2023	2022	2021	2020
<b>General Fund</b>				
Revenues and other financial sources	\$ 42,163,374	\$ 48,057,544	\$ 41,847,612	\$ 40,051,324
Expenditures	45,496,514	41,595,250	37,957,590	40,596,251
Other uses and transfers (out)	774,147	984,294	125,000	-
Total outgo	46,270,661	42,579,544	38,082,590	40,596,251
Change in fund balance	(4,107,287)	5,478,000	3,765,022	(544,927)
Adjustment for GASB 84	-	-	9,373	-
Ending fund balance	\$ 8,886,924	\$ 12,994,211	\$ 7,516,211	\$ 3,741,816
Available reserves <sup>(2)</sup>	\$ 3,513,134	\$ 3,018,181	\$ 4,084,615	\$ 1,321,590
Designated for economic uncertainty	\$ 2,124,134	\$ 3,018,181	\$ 1,105,267	\$ 1,323,398
Unassigned fund balance	\$ 1,389,000	\$ -	\$ 2,979,348	\$ (1,808)
Available reserves as a percentage of total outgo	8%	7%	11%	3%
Total long-term debt	\$ 144,718,515	\$ 150,000,515	\$ 173,975,226	\$ 173,975,226
Average daily attendance at P-2	2,599	2,556	2,931	2,930

Average daily attendance has decreased by 374 over the past three years. The district anticipates an increase of 43 ADA for 2023.

The general fund balance has increased by \$9,252,395 over the past three years and operated at a deficit in one out of the last three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by \$23,974,711 over the past three years.

(1) Budget numbers are based on the first adopted budget of the fiscal year 2022/23, which is unaudited.

(2) Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

**San Carlos School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Major Program</u>	<u>Program Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through California Department of Education				
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income & Neglected	84.010	14329		\$ 35,743
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction	84.367	14341		28,000
ESEA (ESSA): Title III, English Learner Student Program	84.365	14346		31,785
<b><i>Education Stabilization Fund (ESF)</i></b>				
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	Yes	30,000
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	Yes	96,042
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve	84.425D	15621	Yes	208,710
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	Yes	76,843
<b><i>Total Education Stabilization Fund (ESF)</i></b>				<u>411,595</u>
<b><i>Special Education Cluster</i></b>				
Special Ed: IDEA Basic Local Assistance	84.027	13379		481,995
Special Ed: IDEA Preschool Staff Development	84.173A	13431		391
Special Ed: IDEA Preschool Grants	84.173	13430		24,349
<b><i>Total Special Education Cluster</i></b>				<u>506,735</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<u>1,013,858</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through California Department of Education				
<b><i>Child Nutrition Cluster</i></b>				
Child Nutrition: Team Nutrition Grant 2015	10.574	15332		14,348
Child Nutrition: School Programs (NSL Sec 11)	10.555	13524		66,288
<b><i>Total Child Nutrition Cluster</i></b>				<u>66,288</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u>80,636</u>
<b>TOTAL FEDERAL PROGRAMS</b>				<u>\$ 1,094,494</u>
<i>No passsthroughs to subrecipients</i>				

**San Carlos School District**  
**Reconciliation of Annual Financial and Budget Report (SACS)**  
**to the Audited Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

	<u>General Fund</u>	<u>County Schools Facilities Fund</u>	<u>Bond Interest &amp; Redemption Fund</u>	<u>Nonmajor Governmental Funds</u>
June 30, 2022 Annual Financial and Budget Report (SACS) Fund Balances	\$ 9,852,148	\$ 3,198,767	\$ 6,353,987	\$ 5,564,690
Adjustments and Reclassifications:				
Fair value adjustments	(323,192)	(99,514)	(197,784)	(173,655)
GASB 54 reclassifications	<u>3,465,255</u>	<u>-</u>	<u>-</u>	<u>(3,465,255)</u>
June 30, 2022 Audited Financial Statements Fund Balances	<u>\$ 12,994,211</u>	<u>\$ 3,099,253</u>	<u>\$ 6,156,203</u>	<u>\$ 1,925,780</u>

**San Carlos School District**  
Notes to State and Federal Award Compliance Sections  
For the Fiscal Year Ended June 30, 2022

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**1. PURPOSE OF SCHEDULES**

**A. Schedule of Average Daily Attendance**

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

**B. Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206 and whether the Charter Schools complied with Education Code Sections 47612 and 47612.5.

**C. Schedule of Charter Schools**

This schedule is provided to list 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.

**D. 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.

**E. Schedule of Expenditures of Federal Awards**

*Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

**F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

**2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM**

There were no unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

**San Carlos School District**  
Notes to Compliance Section  
For the Fiscal Year Ended June 30, 2022

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**3. BASIS OF PRESENTATION – 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 Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Expenditures reported on the schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

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**OTHER INDEPENDENT  
AUDITOR'S REPORTS**





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

Board of Trustees  
San Carlos School District  
San Carlos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Carlos School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2023.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and



**Chavan and Associates, LLP**  
Certified Public Accountants

material effect on the determination of financial statement amounts. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

January 4, 2023  
Morgan Hill, California





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees  
San Carlos School District  
San Carlos, California

**Report on Compliance for Each Major Federal Program**

We have audited San Carlos School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The 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, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major federal programs**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and 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 San Carlos School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal programs. Our audit does not provide a legal determination of San Carlos School District's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an





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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding San Carlos School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Carlos 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 San Carlos 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**

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.

*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



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deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*C & A LLP*

January 4, 2023  
Morgan Hill, California





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON STATE PROGRAMS**

The Honorable Board of Trustees  
San Carlos School District  
San Carlos, California

**Compliance**

We have audited the San Carlos School District's (the District)'s compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2022.

**Basis for Opinion on State Compliance Requirements**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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



### **Auditor's Responsibilities for the Audit of State Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Carlos School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting 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, it would influence the judgment made by a reasonable user of the report on compliance about the San Carlos School District's compliance with the requirements of applicable state compliance requirements listed in the *Audit Guide*.

In connection with the compliance audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other than Districts:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A





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Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Job Acts	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
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	N/A
Immunization	N/A
Educator Effectiveness	Yes
Expanded Learning Opportunities	Yes
Career Technical Education Incentive Grant	N/A
In Person Instructional Grant	N/A
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Districts	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
District Facility Grant Program	N/A

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *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 San Carlos School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Carlos 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 *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of San Carlos School District's internal control over compliance. Accordingly, no such opinion is expressed.





**Chavan and Associates, LLP**  
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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.

*C & A LLP*

January 4, 2023  
Morgan Hill, California

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## **FINDINGS AND RECOMMENDATIONS**

**San Carlos School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2022**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses?        Yes   x   No

Significant deficiencies identified not considered to be material weaknesses?        Yes   x   None Reported

Non-compliance material to financial statements noted?        Yes   x   No

**Federal Awards**

Internal control over major programs:

Material weaknesses?        Yes   x   No

Significant deficiencies identified not considered to be material weaknesses?        Yes   x   None Reported

Type of auditor's report issued on compliance over major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)        Yes   x   No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.425C	Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation
84.425D	Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve
84.425D	Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve
84.425D	Elementary and Secondary School Emergency Relief II (ESSER II) Fund

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

Auditee qualified as low risk auditee?        Yes   x   No

**State Awards**

Internal control over state programs:

Material weaknesses?        Yes   x   No

Significant deficiencies identified not considered to be material weaknesses?        Yes   x   None Reported

Type of auditor's report issued on compliance over state programs: Unmodified

**San Carlos School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2022**

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**Section II - Financial Statement Findings**

No findings noted

**Section III - Federal Award Findings and Questioned Costs**

No findings noted

**Section IV - State Award Findings and Questioned Costs**

No findings noted

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**San Carlos School District**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2022**

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**Section II - Financial Statement Findings**

No findings noted

**Section III - Federal Award Findings and Questioned Costs**

No findings noted

**Section IV - State Award Findings and Questioned Costs**

No findings noted

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## APPENDIX C

### PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon issuance and delivery of the Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:*

[Date of Delivery]

San Carlos School District  
San Carlos, California

San Carlos School District  
(San Mateo County, California)  
General Obligation Refunding Bonds, Series 2023  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Carlos School District (the “District”), which is located in the County of San Mateo (the “County”), in connection with the issuance by the District of \$11,915,000 aggregate principal amount of San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2023 (the “Refunding Bonds”), pursuant to a resolution of the Board of Education of the District adopted on July 13, 2023 (the “Resolution”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the “Tax Certificate”), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Refunding Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Refunding Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Refunding Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Refunding Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Refunding Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent

conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the District or the County in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated August 1, 2023, or other offering material relating to the Refunding Bonds and express no opinion or view with respect thereto.

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

1. The Refunding Bonds constitute valid and binding obligations of the District.
2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.
3. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Refunding Bonds and the interest thereon.
4. Interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Refunding Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**THIS CONTINUING DISCLOSURE CERTIFICATE** (this “Disclosure Certificate”) is executed and delivered by the San Carlos School District (the “District”) in connection with the issuance of \$11,915,000 aggregate principal amount of San Carlos School District (San Mateo County, California) General Obligation Refunding Bonds, Series 2023 (the “Refunding Bonds”). The Refunding Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on July 13, 2023 (the “Resolution”). 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 Refunding Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**Section 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean Keygent LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and 5(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Refunding Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated August 1, 2023 (including all exhibits or appendices thereto), relating to the offer and sale of Refunding Bonds.

“Participating Underwriter” shall mean the original underwriter(s) of the Refunding Bonds required to comply with the Rule in connection with offering of the Refunding Bonds.

“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.

**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 (which due date shall be April 1 of each year, so long as the District’s fiscal year ends on June 30), commencing with the report for the 2022-23 Fiscal Year (which is due not later than April 1, 2024), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, 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 a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Refunding Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

**Section 4. Content of Annual Reports.** The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, 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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year, or a summary thereof.

(ii) The District's average daily attendance for the last completed fiscal year.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation (secured, unsecured and total) of taxable properties within the District for the then current fiscal year as shown on the most recent equalized assessment role, if and to the extent made available by the County of San Mateo (the "County"). If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District for the then current fiscal year, if and to the extent made available by the County. If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District for the last completed fiscal year, if and to the extent made available by the County. If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

Any or all of the items listed above may be set forth in one or a set of documents or 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 made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.** (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Refunding Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the District; or

(x) 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.

For the purposes of the event identified in subparagraph (ix), 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) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Refunding Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Refunding Bonds or other material events affecting the tax status of the Refunding Bonds;

(ii) modifications to rights of Refunding Bond Holders;

(iii) Refunding Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Refunding Bonds;

(v) non-payment related defaults;

(vi) 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;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the 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 Refunding Bond holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such

occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Refunding Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

**Section 6. Format for Filings with MSRB.** Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Refunding Bonds. If such termination occurs prior to the final maturity of the Refunding Bonds, the District shall give notice of such termination in a filing with the MSRB.

**Section 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The initial Dissemination Agent shall be Keygent LLC.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Refunding 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 Refunding Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Refunding Bonds.

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 a filing with the MSRB, 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 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, 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 in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

**Section 11. 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 Refunding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 12. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), 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 attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's 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 Refunding Bonds.

**Section 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Refunding Bonds, and shall create no rights in any other person or entity.



**Section 14. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Disclosure Certificate may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent, that, if such party signs this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate, and that signing this Disclosure Certificate using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Certificate on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Certificate in a usable format.

Dated: August 17, 2023

**SAN CARLOS SCHOOL DISTRICT**

By: \_\_\_\_\_

ACCEPTED AND AGREED TO:

**KEYGENT LLC,  
as Dissemination Agent**

By: \_\_\_\_\_  
Managing Principal

**EXHIBIT A**

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: SAN CARLOS SCHOOL DISTRICT

Name of Issue: San Carlos School District (San Mateo County, California)  
General Obligation Refunding Bonds, Series 2023

Date of Issuance: August 17, 2023

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Refunding Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated August 17, 2023. [The District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

**SAN CARLOS SCHOOL DISTRICT**

## **APPENDIX E**

### **COUNTY OF SAN MATEO INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL**

*In accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the Treasurer/Tax Collector (the “County Treasurer”) of the County of San Mateo (the “County”). Included as part of this Appendix E is the Investment Policy of the County for calendar year 2023 and a May 2023 Month End Report, relating to certain information with respect to the County investment pool. These documents describe (i) the County policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other local agencies held by the County Treasurer, and (ii) the composition, carrying amount, market value and other information relating to the County investment pool. Further information may be obtained directly from the Treasurer/Tax Collector, 555 County Center, 1st Floor, Redwood City, CA 94063.*

*Neither the District nor the Underwriter has made an independent investigation of the investments in the County investment pool and neither has made an assessment of the current 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 County Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the investment pool will not vary significantly from the values described herein.*

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**SAN MATEO COUNTY**

# **Investment Policy Statement**

**Calendar Year 2023**

*Approved by the  
San Mateo County Board of Supervisors  
Updated Date: January 17, 2023  
Resolution: 079414*

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**SAN MATEO COUNTY**  
**Investment Policy Statement**  
**Calendar Year 2023**

**I. Introduction**

It is the policy of the San Mateo County Treasurer, consistent with controlling legal mandates, to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants, achieving a competitive yield while conforming to all applicable statutes and resolutions governing the investment of public funds. Moreover, while complying with these legal mandates, the Treasurer will also promote investments in authorized issuers that display adherence to strong environmental, social, and governance principles.

To meet liquidity and long-term investing needs, the County has established the County Investment Pool. This fund is suitable for planned expenditures or capital funds.

**II. Delegation of Authority**

By Resolution 079414, approved on January 17, 2023 the County Board of Supervisors has delegated to the Treasurer authority to invest and reinvest the funds of the County and other depositors as specified in California Government Code Sections §27000.1 and §53607 for the period calendar year 2023. The Treasurer may delegate investment authority to whoever has been retained to perform the investment function.

**III. Policy Statement**

This Investment Policy establishes cash management and investment guidelines for the Treasurer, and those to whom he/she delegates investment authority, who are responsible for the stewardship of the San Mateo County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be monitored and judged by the standards of this Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to policy.

The Treasurer will annually render to the Board of Supervisors and any Oversight Committee a statement of investment policy, which the Board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the Board at a public meeting.

**IV. Standard of Care**

The Treasurer is a fiduciary of the pooled investment fund and therefore subject to the prudent investor standard. The Treasurer, employees involved in the investment process and members of the San Mateo County Treasury Oversight Committee shall refrain from all personal business activities that could conflict with the management of the investment program.



All individuals involved will be required to report all gifts and income in accordance with California state law. (See Section XXI)

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Treasurer, and those to whom he/she delegates investment authority, shall act with due professional care, skill, prudence and diligence taking into consideration circumstances then prevailing, including, but limited to, general economic conditions and anticipated needs of the County and other depositors. This should be accomplished with the care that a prudent person acting in a like capacity would use to safeguard the principal and maintain the liquidity needs of the County and other depositors.

As outlined in California Government Code Section §27000.3, the standard of prudence to be used by the County investment officers shall be the “prudent investor” standard and shall be applied in the context of managing the portfolio. Investment officers shall act in accordance with written procedures and the investment policy, exercise due diligence, report in a timely fashion, and implement appropriate controls for adverse development.

## **V. Investment Objectives**

The San Mateo County Investment Pool shall be prudently invested in order to preserve principal while earning a reasonable rate of return while awaiting application for governmental purposes. Investments should be made with precision and care considering the safety of the principal investment, as well as the income to be derived from the investment. The specific objectives for the program are ranked in order of importance:

- A. Safety of Principal** - The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

Credit Risk - Defined as an issuer(s) ability and willingness to repay interest and principal. Credit risk shall be minimized by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants. Credit rating evaluations for all securities are monitored on a consistent basis.

Market Risk - Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities; market risk will be minimized by establishing the maximum Weighted Average Maturity of the pool at three years. The maximum allowable maturity for any instrument in the pool at time of purchase is 7 years (Treasuries and Agencies only). Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

**B. Liquidity**

The Treasurer's Office attempts to match maturities with its 12-month projected cash flow. The nature of the planning process behind the cash flow of the pool is relatively predictable and less volatile than is the case of discretionary money.

This allows leeway for some of the underlying investments in the County Pool to maintain a somewhat longer duration.

**C. Yield**

The County Pool is designed as an income fund to maximize the return on investable funds over various market cycles, consistent with the pool's first priority of safeguarding principal. Yield will be considered only after the basic requirements of safety and liquidity have been met. The County Pool is managed as an income fund whose purpose is to provide its investors with a reasonably predictable level of income, as opposed to a growth fund or fund measured on the basis of total return.

**D. Socially Responsible Investment Objectives**

In addition to and while complying with California Government Code provisions that regulate the investment of public funds (which require that, when managing and investing public funds, the objectives shall be, primarily, to safeguard principal of invested funds; secondarily, to meet the liquidity needs of the local government; and third, to achieve a return on invested funds), the County Treasurer recognizes the importance of socially responsible investing. The Treasurer will consider and promote investment in authorized issuers that display adherence to strong environmental, social and governance (ESG) principles, including but not limited to, environmental sustainability, social and economic justice, and good corporate governance. The Treasurer will forego investments in fossil fuel issuers if able to do so while complying with all legal and fiduciary mandates, including with respect to safety of principal, liquidity, and return on invested funds. The Treasurer will seek to invest in a socially responsible manner by considering investments in corporate issuers that meet designated risk score thresholds, as provided by an independent organization or organizations that supply analytical research, ratings, and data to institutional investors regarding issuers' environmental, social and governance (ESG) practices. Issuers will be reviewed and confirmed against these thresholds on a periodic basis, and any investments in issuers that fall below designated thresholds may be sold or held to maturity.

**VI. Management Style and Strategy**

This policy describes the County's strategic investment objective, risk tolerance and investment constraints. The County Treasurer or designee, at the Treasurer's discretion, prepares an economic outlook and evaluates the capital markets environment. The investment

programs reflect a common strategy that is based on conservative principles of fixed income portfolio management consistently applied in a disciplined fashion.

## **VII. Authorized Investments**

Subject to the limitations set forth in California Government Code §53600 et seq. which may be amended from time to time, the Treasurer may invest in the following instruments, subject to the limits described in the following sections. Long-term credit ratings, where shown, specify the minimum credit rating category required at time of purchase. As noted previously, all securities purchased shall be regularly monitored and re-evaluated should their ratings be downgraded below the minimum investment grade level required of the Pool. The Treasury Oversight Committee will be notified, within 10 days of any security downgrades that fall below the pool's investment standards and the course of action to be taken if any. In addition, the information will be posted on the Treasurer's website within the same time frame. Decisions regarding the holding of, or the potential sale of, securities are based on factors such as remaining time to maturity and the need for liquidity in the Pool.

Where a percentage limitation of eligible security percentages and maximum maturity is established, for the purpose of determining investment compliance, that maximum amount will be applied on the date of trade settlement. Therefore, depending on the liquidation of other securities and the performance of other securities in the pool, the percentage of the pool of any given security or instrument could exceed the initial percentage limitations without violating the Investment Policy.

### **A. U.S. Treasury Securities**

United States Treasury bills, notes, bond or certificates of indebtedness, for which the full faith and credit of the United States is pledged for the payment of principal and interest. The maximum maturity of U.S. Treasury Securities is 7 years.

### **B. U.S. Government Agency/GSE (Government Sponsored Enterprise)**

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government sponsored enterprise. The maximum percent of the fund per issuer is 40%. The maximum percent of the fund for U.S. Agencies Callable Securities is 25%. U.S. Government Agency/GSE securities must be rated in a rating category of "AA," long-term, or "A-1," Short-term, or their equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). The maximum maturity for Agency Securities is 7 years.

### **C. Commercial Paper**

At the time of purchase, commercial paper must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Eligibility is limited to U.S. organized and operating corporations. Corporations must have assets in excess of \$5 Billion and have debt other than commercial paper, if any, that is rated in a rating category of "A" or

its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Maturities may not exceed 270 days. Purchases of commercial paper will not exceed 40% of the pool's investable money.

#### **D. Negotiable Certificates of Deposit**

Negotiable certificates are negotiable money market instruments that trade on the open market. At the time of purchase, negotiable certificates of deposit must be rated in a rating category of "A," long-term, or "A-1"/"P-1"/"F1, short-term," or their equivalents or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). These certificates must be issued by a U.S. National or State chartered bank or state or federal association (as defined by section 5102 of the California Financial Code) or by a state licensed branch of a foreign bank. Eligible foreign banks must have branches or agencies in the U.S. Issuers must be a corporation with total assets in excess of \$5 Billion. Purchases of Negotiable Certificates of Deposit will not exceed 30% of the pool.

#### **E. Bankers Acceptance**

A Bankers Acceptance (BA) is a draft drawn and accepted by banks that is based upon funds that will pay its face value at maturity. The security is normally traded at a discounted price. Because the accepting institution is obligated to pay for the bill, a Bankers Acceptance is considered less risky than commercial paper.

At the time of purchase, BAs must be rated A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). BAs are primarily used to finance international trade. BAs are timed drafts (bills of exchange) drawn on and accepted by a commercial bank. Issuers must be a corporation with total assets in excess of \$5 Billion. Purchases of Bankers Acceptances will not exceed 15% of the pool for domestic commercial banks and 15% of the pool for foreign commercial banks.

#### **F. Collateralized Time Deposits**

Collateralized Certificates of Deposit must comply with Bank Deposit Law. Purchases of Collateralized Certificates of Deposit will not exceed 15% of the pool.

#### **G. Mortgage Backed Securities and Asset Backed Securities**

##### **A. Mortgage Backed Securities**

The securities must be rated in a rating category of "AA" or its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Mortgage Backed Securities and Asset Backed Securities will not exceed 20% of the pool.

The allowable types of Mortgage Backed Securities include the following:

1. U.S. Government Agency Mortgage pass-through securities.
2. Collateralized Mortgage Obligations (CMO) where the underlying mortgages have U.S. government backing.

#### **B. Asset Backed Securities**

The securities must be rated “AAA” or its equivalent by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Asset Backed Securities and Mortgage backed Securities will not exceed 20% of the pool.

The allowable types of Asset Backed Securities include the following:

1. Equipment lease back certificates.
2. Consumer receivable backed bonds.
3. Auto loan receivable backed bonds.

### **H. Corporate Securities**

The maximum maturity for corporate securities is five years. Eligible securities shall be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. At the time of purchase, corporate securities must be rated in a rating category of “A” or its equivalent or better by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Securities in this classification must be dollar denominated. If a security is owned and downgraded below the pool’s investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool’s investment standards and the course of action to be taken if any. In addition, the information will be posted on the Treasurer’s website within the same time frame.

Purchases of Corporate Securities shall not exceed 30% of the pool. The amount invested in corporate securities in the “A” rating category may not exceed 27% of the pool (90% of the 30% permitted corporate allocation). For purposes of determining compliance with this requirement, a security’s rating will be determined by its highest rating by either S&P, Moody’s, or Fitch. There is a 5% limitation of the fund in any single issuer of Money Market/Corporate Securities, however, the Pool has a target of holding no more than 3%. The 3% target may be exceeded under exceptional circumstances (i.e.: peak tax collection periods, G.O. Bond issuances, etc.) when there is a large influx of cash.

### **I. US Instrumentalities**

United States dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American

Development Bank, with a maximum maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category "AA" or its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Purchases of US Instrumentalities are not to exceed 30% of the pool.

#### **J. CA Municipal Obligations**

Registered state warrants or municipal notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. Investments under this subdivision shall be rated in a rating category "AA" or its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Such investments shall have a maximum security of five years or less, and shall not exceed 30% of the pool, 5% per issuer. The foregoing investments shall be limited to the General Obligation (GO) bonds, Tax & Revenue Anticipation Notes (TRANS), or other debt, which is issued by the state of California, the University of California Regents or the California State University Regents.

#### **K. Repurchase Agreements**

Repurchase Agreements must be executed with dealers with whom the County has written agreements and are either banking institutions that meet the rating requirements of this policy or dealers who report to the Market Reports Division of the Federal Reserve Bank of N.Y. (Primary Dealers). All transactions must be collateralized at 102% of current value plus accrued interest and must be marked to market daily. The only acceptable collateral for these transactions include Treasuries or Agencies with a maximum maturity of seven years.

For purposes of this authorized investments section, the term "Repurchase Agreement" means a purchase of a security by the County pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified dollar amount and will deliver the underlying securities to the County by book entry. All County pool transactions are conducted through the County custodian on a payment vs. delivery basis. When the transaction is unwound, the transfer of the underlying securities will revert to the counter party's bank account by book entry. The term "Counter party" means the other party to the transaction with the County. The Counter Party, or its parent, must have a short-term rating of "A-1," "P-1," or "F1" by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). The maximum allowable term of a repurchase agreement shall not exceed 92 days.

#### **L. Local Agency Investment Fund (LAIF)**

The Local Agency Investment Fund (LAIF) is an investment fund run by the Treasurer of the State of California to pool local agency monies. LAIF will be used

as a comparative fund to the County's pool. The maximum percent of the fund that can be invested is up to the current State limit.

**M. Mutual Funds**

Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601. Purchases of Mutual Funds will not exceed 20% of the pool, 10% per mutual fund.

**N. Local Government Investment Pools (LGIPs)**

Shares of beneficial interest issued by a joint power's authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized by the Government Code. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. Purchases are limited to LGIPs that seek to maintain a stable share price and will not exceed 20% of the pool, 10% per LGIP.

**VIII. Security Lending**

Security Lending is a temporary exchange of portfolio assets for acceptable collateral between a lender and an approved borrower. The additional income generated from this transaction can be used to enhance portfolio performance. This process can be summarized in three key steps:

- A.** The Security Lending agent lends securities from our portfolio to an approved borrower at a negotiated rate. The negotiated rate is dependent upon the level of demand for the securities.
- B.** The Security Lending agent invests the cash collateral in highly liquid, short duration, high credit quality instruments approved by our investment policy.
- C.** The earnings generated net of rebates from these transactions are split between the third party agent and the County based on the contract agreement.

Our contract with The Bank of New York requires daily reporting of the securities borrowed, the borrowers, and the short term investments made with the collateral. The County retains the right to recall securities at any given time; cutoffs are 9:30 a.m. eastern standard time for same day recalls of treasuries/agencies and 1:30 p.m. eastern standard time on trade date for corporates. We also require acknowledgement of the County Investment Policy, and check the adherence to that policy daily.

All securities purchased with any funds received as a result of such lending shall be regularly monitored and re-evaluated. Should their ratings fall below the pool's investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool's investment standards and the course of action if any. In addition, the information will be posted on the Treasurer's website within the same time frame.

Additionally, the percentage of the Fund's market value in any one issuer's securities shall be regularly monitored and the Treasury Oversight Committee will be notified within 10 days, and the information posted on the Treasurer's website, of any instances where the percentage of the Fund's market value in any one issuer's securities exceeds the percentage limitations set forth herein or where there is any change in diversification and the course of action, if any.

There are always risks in any financial transaction. The three most common risks in Security Lending are as follows:

- A. **Borrower Default Risk** – Although rare, a borrower may not return a security in a timely manner. To protect against this risk, we require 102% cash collateral, which is marked to market and monitored daily. In the event of borrower default, the Security Lending agent is responsible for replacing the securities or providing the cash value of the securities. In other words, The Bank of New York indemnifies the County of San Mateo against borrower default.
- B. **Collateral Investment Risk** – The value of the securities in which we invest the cash collateral may decline due to fluctuations in interest rates or other market related events. This risk is controlled by investing in a huge investment pool with highly liquid short duration, high credit quality instruments identified in this investment policy.
- C. **Operational Risks** – Critical operations, such as maintaining the value of the collateral, collecting interest and dividend payments are essential to a smooth running Security Lending operation. Operational risks are the responsibility of the Security Lending agent. We further mitigate this risk by reviewing all transactions and collateral requirements on a daily basis.

### **Schedule 1 – Securities Lending**

#### **Securities Loans**

- No more than 5% of the Pool can be on loan to any single counterparty.
- A single loan shall not exceed 3% of the total portfolio.
- The maximum maturity of a securities loan shall not exceed 92 days.

#### **Collateral**

##### Acceptable Collateral

U.S. Treasuries and Agencies and cash.

##### Collateral Investment

The only authorized investments are shown in the following table. No floating or reset notes are permitted.

"Fund" means actual market value of all securities lending collateral.

INSTRUMENT	RATING	LIMITATIONS		
		-		
		% of Fund	% of Fund per Issuer	Maturity
U.S. Treasury Obligations		100	100%	1 year



INSTRUMENT	RATING	-	LIMITATIONS	
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100	40% per issuer	1 year
Repurchase agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100	50%	overnight
Bankers Acceptances Domestic Foreign	A-1 / P-1/ F1	15 15	5% Aggregate 5% Aggregate	180 days 180 days
Commercial paper	A-1 / P-1 / F1	40	5% Aggregate	270 days or less

**Other****Agent Qualifications**

The only acceptable Agent is the Pool's custodian bank.

**Contract Provisions**

The Agent must indemnify the Pool against borrower default.

The Agent must acknowledge and accept the Policy in writing. A copy of this acceptance will be attached to future policies.

The Agent must submit monthly reports showing securities out on loan (terms and borrowers), defaults, earnings, and the percent by sector of Pool assets out on loan as well as information on the collateral investments (including market values, income and realized and unrealized gains and losses).

**Oversight**

The Treasurer shall include copies of the Agent's most recent report with their reports to the Treasury Oversight Committee.

**IX. Community Reinvestment Act Program**

- A. This policy sets aside up to \$5 million dollars for investment in banks whose primary operations are located in San Mateo County. Investments from this fund must meet the requirements of this investment policy. Eligible banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with a custodial bank.

**X. Diversification and Maturity Restrictions**

It is the policy of the Treasurer to diversify the Fund's portfolios. Investments are diversified to minimize the risk of loss resulting in over concentration of assets in a specific

maturity, specific issuer or a specific class of securities. Diversification strategies shall be established by the Treasurer and whoever has been retained to perform the investment function.

<b>Instrument</b>	<b>Min. Rating Category</b>	<b>% of Fund</b>	<b>Limitations % of Fund per Issuer</b>	<b>Maturity</b>
U.S. Treasury Obligations		100%	100%	7 years
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100%	40%	7 years
U.S. Agencies Callables	AA		25%	7 years
Commercial paper (two agencies)	A-1/P-1/F1	40%	5% Aggregate	270 days or less
Negotiable Certificates of Deposit (\$5 billion minimum assets) (two agencies)	A-1/P-1/F1	30%	5% Aggregate	5 years
Bankers Acceptances *Domestic: (\$5 billion minimum assets) *Foreign: (\$5 billion minimum assets) (two agencies)	A-1 / P-1/ F1	15% 15%	5% Aggregate 5% Aggregate	180 days 180 days
Collateralized Time Deposits within the state of CALIFORNIA	A-1/P-1/ F1	15%	5% Aggregate	1 year
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	AA		5% Aggregate	5 Years
Asset Backed Securities	AAA	20% Combined total	5% Aggregate	5 Years
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	A	30%  A maximum of 27% may be invested in	5% Aggregate	5 years

<b>Instrument</b>	<b>Min. Rating Category</b>	<b>% of Fund</b>	<b>Limitations % of Fund per Issuer</b>	<b>Maturity</b>
		A rated securities (90% of the 30% allocation)		
US Instrumentalities	AA	30%		5 Years
CA Municipal Obligations	AA	30%	5% Aggregate	5 Years
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100%	See limitations for Treasuries and Agencies above	92 days
Local Agency Investment Fund (LAIF)			Up to the current state limit	
Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601 (Mutual Funds)	Money Market AAAm	20%	10% per mutual fund	
Local Government Investment Pools (LGIPs)		20%	10% per LGIP	

## **XI. Average Life**

The maximum dollar weighted average maturity of the fund will be 3 years. The focus of this fund is in order of priority: preservation of principal, liquidity and then yield. The policy of maintaining a maximum dollar weighted maturity or weighted average maturity (WAM) of 3 years leaves open the flexibility to take advantage of interest rate trends to maximize the return on investment. The imposed maximum 3-year average maturity limits the market risk to levels appropriate to a short, intermediate income fund. The word "Maturity" refers to the instrument's stated legal final redemption date - not coupon reset, put or call dates.

Securities purchased specifically to match the maturity of a bond issue and/or a contractual arrangement must be authorized by California Government Code §53601 and §53635 but are not included in the requirements listed above. Such securities shall be clearly designated in the appropriate investment journals and reports.

## **XII. Prohibited Transactions**

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy and California Government Code Sections §53601, §53601.1, §53601.2, §53601.6, and §53635, as may be amended from time to time. No investment prohibited by the California Government Code or other controlling provision of law shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy **at time of purchase** must be documented and approved by the Treasurer in writing. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

The Treasurer shall not leverage the County pool through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by this investment policy.

Security Lending is authorized by this policy and will be limited to a maximum of 20% of the portfolio.

### **The following transactions are prohibited:**

- A.** Borrowing for investment purposes ("Leverage").
- B.** Inverse floaters, leveraged floaters, equity-linked securities, event-linked securities, structured investment vehicles (SIV).

Simple "floating rate notes" whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate or LIBOR) and which have a reasonable expectation of maintaining a value at par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips or other callable securities which otherwise meet quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

- C.** Derivatives (e.g. swaptions, spreads, straddles, caps, floors, collars, etc.) shall be prohibited.
- D.** Trading of options and futures are prohibited.

## **XIII. Method of Accounting:**

- A.** For earnings calculations, investments will be carried at original purchase cost (plus purchased accrued interest, if applicable). Premiums or discounts acquired in the purchase of securities will be amortized or accreted over the life of the respective securities. For GASB purposes, investments will be carried at cost and marked to market.

- B. Gains or losses from investment sales will be credited or charged to investment income at the time of sale. All interest income, gains/ losses are posted quarterly.
- C. Premiums paid for callable securities will be amortized to the 1<sup>st</sup> call date after purchase.
- D. Purchased accrued interest will be capitalized until the first interest payment is received. Upon receipt of the first interest payment, the funds will be used to reduce the investment to its principal cost with the remaining balance credited to investment income.
- E. Yield is calculated on an accrual basis using a 365-day calendar year. Earnings are calculated as follows:

$$\frac{(\text{Earnings}^* + \text{Capital Gains}) - (\text{Fees} + \text{Amortized Premiums} + \text{Capital Losses})}{\text{Average Daily Pool Balance}}$$

\* Earnings equal net interest payments + accrued interest + accreted discounts.

- F. The County Pool is operated as a single investment pool. Banking and reporting services required by a participant are charged directly to the participant. All participants are charged an administrative fee.
- G. The administrative fee is 9.5 basis points effective July 1, 2018 and will be evaluated annually.

The County Pool Administrative Fee is established annually and is effective July 1 through June 30. The fee is developed to align with the actual administrative cost of managing the pool. Due to variations in the pool size during the fiscal year (such as those caused by the influx of funds from unanticipated school bond issues or voluntary pool participant withdrawals), a true-up of fees collected will take place in the 4<sup>th</sup> quarter of each fiscal year.

#### **XIV. Safekeeping**

All deliverable security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a Delivery-versus-Payment basis (DVP).

All deliverable securities shall be held by a third-party custodian designated by the Treasurer. The third-party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity and other pertinent information.

#### **XV. Performance Evaluation**

The Treasurer shall submit monthly, quarterly and annual reports, in compliance with Government Code Sections §53607 and §53646 to the Treasury Oversight Committee, Pool participants and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. This includes the type of investments, name of

issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investments Fund's ability to meet the expected expenditure requirements for the next 6 months. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on the treasury for the County's Comprehensive Annual Financial Report.

## **XVI. Withdrawal Requests**

### **Voluntary Pool Participants**

- A.** Any request to withdraw funds shall be released at no more than 12.5% per month, based on the month-end balance of the prior month.
- B.** Current secured tax apportionments and property tax revenue distributed to Redevelopment Property Tax Trust Funds will be exempt from the 12.5% withdrawal rule, however, these apportionments must be withdrawn in the same month they are received or they will be subjected to the 12.5% withdrawal rule.
- C.** Any additional withdrawal requests will be considered on a case-by-case basis.
- D.** All requests for withdrawals must first be made in writing to the Treasurer, at a minimum, 24 hours in advance.

In accordance with California Government Code § 27136 et seq, and §27133 (h) et seq, these requests are subject to the Treasurer's consideration of the stability and predictability of the pooled investment fund, or the adverse effect on the interests of the other depositors in the pooled investment fund.

### **Schools**

- A.** Withdrawals of surplus funds by a school district for investment elsewhere will require a Resolution from the District Office requesting such withdrawal and specifying that funds are 'surplus.' Such requests must be made at a minimum 24 hours in advance.
- B.** A one-year dark period will exist for such withdrawals before funds can be re-deposited into the treasury by that school district. A Resolution from the District Office will be required to do so.
- C.** Any emergency situation that requires previously withdrawn school district funds be re-deposited into the treasury within that one-year period will require a Resolution from the District Office and Office of Education.
- D.** No Bond Proceeds may be withdrawn for investment outside of the pool (AB2738)

## **XVII. Internal Controls**

The County Treasurer shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. The County Treasurer shall also be responsible for ensuring that all investment transactions comply with the County's investment policy and the California Government Code.

The County Treasurer shall establish a process for daily, monthly, quarterly and annual review and monitoring of investment program activity.

Daily, the County Treasurer or authorized treasury personnel shall review the investment activity, as well as corresponding custodial and commercial bank balances and positions for compliance with the investment policy and guidelines. The County Controller's Office shall conduct an annual audit of the investment program's activities. It is to be conducted to determine compliance with the County's investment policy and the Government Code. The audit shall be conducted by staff with experience in auditing large, complex investment programs consistent with industry standards as promulgated by the Global Investment Performance Standards (GIPS) adopted by the CFA Institute Board of Governors.

#### **A. Investment Authority and Responsibility**

The responsibility for conducting the County's investment program resides with the Treasurer, who supervises the investment program within the guidelines set forth in this policy. The Treasurer may delegate the authority for day-to-day investment activity to whoever has been retained to perform the investment function.

#### **B. County Treasury Oversight Committee**

The Board of Supervisors, in consultation with the Treasurer, has established the County Treasury Oversight Committee pursuant to California Government Code § 27130 et seq. Members of the County Treasury Oversight Committee shall be selected pursuant to California Government Code §27131. The Treasury Oversight Committee will meet at least three times a year to evaluate general strategies and to monitor results and shall include in its discussions the economic outlook, portfolio diversification, maturity structure and potential risks to the County pool's funds. All actions taken by the Treasury Oversight Committee are governed by rules set out in § 27131 et seq. of the California Government Code.

Members of the County Treasury Oversight Committee must pay particular attention to California Government Code § 27132.1, § 27132.2, § 27132.3 and § 27132.4, which read as follows:

§ 27132.1 A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

§ 27132.2 A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

§ 27132.3 A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

§ 27132.4 Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (chapter 9 (commencing with section 54950) of Part 1 of Division 2 of Title 5).

### **C. Reporting**

The Treasurer will prepare a monthly report for the County pool participants and members of the County Treasury Oversight Committee stating, for each investment: the type of investment, name of the issuer, maturity date, par value of the investment, current market value and the securities S&P/Moody's rating. For the total pooled investment fund, the report will list average maturity, effective duration, cost, the current market value, net gains/losses and the sector and issuer concentrations. In addition, the report will break down distribution by maturities, coupon, duration and both S&P/Moody's ratings. The Treasurer shall prepare a monthly cash flow report which sets forth projections for revenue inflows, and interest earnings as compared to the projections for the operating and capital outflows of depositors. This projection shall be for a minimum of 12 months. All Reports will be available on the County Treasurer's website at [treasurer.smcgov.org](http://treasurer.smcgov.org)

### **D. Annual Audit of Compliance**

The County Treasury Oversight Committee shall cause an annual audit to be conducted of the portfolio, procedures, reports and operations related to the County pool in compliance with California Government Code § 27134.

### **E. Pool Rating**

The Pool strives to maintain the highest credit rating at all times. Annually, a contract may be requested for a rating from one of the three leading nationally recognized credit rating organizations (S&P, Moody's or Fitch).

### **F. Compliance Review**

The County will ensure a monthly compliance review of the County's portfolio holdings and provide a monthly written report which will:

1. Verify the accuracy of holdings information.
2. Provide summary level information about the portfolio.
3. Verify compliance with California Government Code.
4. Verify compliance with the County's written Investment Policy.
5. List any exceptions or discrepancies identified.



## **G. Loss Control**

While this Investment Policy is based on “the Prudent Investor Rule”, the Treasurer shall seek to enhance total portfolio return by means of actively managing the portfolio. In any professionally managed portfolio, occasional controlled losses are inevitable and must be realized and judged within the context of overall portfolio performance. Losses shall be allocated as otherwise described in this policy in section XIII, entitled “Method of Accounting”.

## **H. Credit Quality**

Should any investment or financial institution represented in the portfolio, be downgraded by any of the major rating services to a rating below those established in this investment policy, the Treasurer must immediately make an informed decision as to the disposition of that asset and will so advise the County Treasury Oversight Committee. The situation will be monitored daily by the Treasurer until final disposition has been made.

## **I. Approved Brokers**

The Treasurer will maintain a current list of Approved Brokers and Dealers who may conduct business with the County. All financial institutions on the approved list will be evaluated individually, with preference given to primary dealers, who possess a strong capital and credit base appropriate to their operations. The Treasurer will forward a copy of the County Investment Policy to all approved brokers and require written acknowledgment of the policy from the broker.

No broker, brokerage, dealer or securities firm is allowed on the approved list if, within any consecutive 48-month period, they have made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local Treasurer, any member of the governing board of the local agency or any candidate for those offices.

If the County has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, brokers/dealers and financial institutions to conduct transactions on the County's behalf.

## **J. Transaction Settlement**

Payment of settlement in a securities transaction will be against delivery only. A due bill or other substitution will not be acceptable. All securities purchased from the brokers/dealers must be held in safekeeping by the County's safekeeping agent or designated third party.

**K. Internal Controls**

The Treasurer has established a system of controls designed to prevent losses of pooled funds due to fraud, employee error, and misrepresentations by third parties, and unanticipated changes in financial markets or imprudent actions by employees of the County. The controls include:

1. Procedures for investment activity which includes separation of duties for transaction authority, accounting and operations and requires clear documentation of activity.
2. Custodial safekeeping as prescribed in California Government Code § 53601.
3. Independent audit, both external and internal.
4. Clear delegation of authority.
5. Written confirmations of all telephone transactions.
6. Establishment of written ethical standards and rules of behavior.

**XVIII. Execution of Investment Authority**

- A.** All transactions are documented as to date, time and vendor, signed by the originator and include the following information:

1. Buy or sell
2. Specific description of security involved (CUSIP)
3. Settlement date
4. Price
5. The total amount of funds involved
6. On non-treasury or agency transactions a notation will be made on the transaction ticket of competitive bids and offers
7. Broker/dealer

- B.** Information in “A” must be provided to the Investment Specialist for the following purpose:

1. To contact the dealer to verify the information on the trade with the dealer’s instructions. Any misunderstanding must be clarified prior to settlement.
2. To provide the County’s custodian bank with the specifics of the pending transaction to assure a smooth settlement.
3. To compare with the daily custodian transaction report to assure there are no errors.
4. To generate the internal entries necessary for the movement of funds to complete the transaction.
5. To compare with the broker’s confirmations when received.

- C. At the end of each day, the Investment Specialist summarizes all of the current day transactions in a “Daily Cash Flow Report” available immediately the following morning. This report includes:
1. A summary of all the day’s investment transaction.
  2. A listing of the day’s incoming and outgoing wires.
  3. A listing of the day’s state automatics and other deposits received.
  4. If the pool has “Repos” out, the current earnings rate statement.
  5. An estimate of the total anticipated clearings for the day.
- D. A best effort will be made to obtain a minimum of three prices from different brokers before executing a security transaction whenever possible. Exceptions will occur with Treasuries. In those cases the Bloomberg screen will be printed as close to the actual executed price as possible. In the case of money market, agencies or corporate securities, a best effort will be made to obtain differential bids and offers.
- E. Repurchase Agreements All Repurchase Agreements with approved dealers will be governed by a Public Securities Association (PSA) agreement that has been approved in writing by the Treasurer.
- F. Confirmations resulting from securities purchased or sold under a Repurchase Agreement shall state the exact and complete nomenclature of the underlying securities bought or sold, as well as the term structure (i.e. maturity) of the transaction.
- G. Securities on loan and their corresponding investments under the County Security Lending Program must be monitored daily by the Investment Specialist to assure the County Treasurer or Designee has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.
- H. The assets of the County shall be held in safekeeping by the County’s safekeeping agent, or secured through third-party custody and safekeeping procedures. A due bill or other substitution will not be acceptable.
- I. Safekeeping procedures shall be reviewed annually by the Treasurer’s office and an external auditor. Surprise audits of safekeeping and custodial procedures must be conducted at least once a year.
- J. Security Lending: The custodial bank may be authorized to lend out up to 20% of the portfolio within the guidelines of this policy. Guidelines for securities lending and the investment of collateral are attached to this policy as Schedule 1. Securities on loan must be monitored daily by the Treasurer’s office to assure that the Treasurer has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.

**K. Voluntary Participants** participating in the San Mateo County Pooled Fund meet the following requirements:

1. A public agency
2. Domiciled in the County of San Mateo.
3. Agree to abide by the approved San Mateo County Pooled Fund Investment Policy Statement.
4. Acknowledge changes to the policy annually in writing and meet the minimum balance requirements (250K).

Effective 11/1/2018, acceptance of new voluntary participants was discontinued to decrease liquidity requirements.

**L.** Agencies whose jurisdiction includes San Mateo County, but are not domiciled in San Mateo County, may participate in the San Mateo County Pooled Fund with the approval of the Treasurer and the County Treasury Oversight Committee.

## **XIX. Disaster Recovery**

The San Mateo County Treasurer's Disaster Recovery Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Portable devices have been issued to key personnel for communicating between staff, banks and broker/dealers. The plan includes an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event investment staff is unable to invest the portfolio, the custodial bank will automatically sweep all un-invested cash into a collateralized account at the end of the business day. Union Bank is currently the pools bank.

Should this guarantee program not be extended, a collateralized account will be set up. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy.

## **XX. Ethics and Conflict of Interest**

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall complete and submit State of California Form 700, Statement of Economic Interests Disclosure annually.

## **XXI. Limits on Honoraria, Gifts and Gratuities**

In accordance with California Government Code Section 27133, this policy establishes limits for the Treasurer; individuals responsible for management of the portfolios; and members of the Treasury Oversight Committee; select individual investment advisors and broker/dealers who conduct day-to-day investment trading activity.

Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual designated in a conflict of interest code may receive aggregate gifts, honoraria and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. Gifts from a single source are subject to a \$420 limit. Any violation must be reported to the State Fair Political Practices Commission.

## Comparison and Interpretation of Credit Ratings<sup>1</sup>

### Long Term Debt Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Best-Quality grade	Aaa	AAA	AAA
High-Quality Grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper Medium Grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Speculative Grade	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
Low Grade	B1	B+	B+
	B2	B	B
	B3	B-	B-
Poor Grade to Default	Caa	CCC+	CCC
In Poor Standing	-	CCC	-
	-	CCC-	-
Highly Speculative Default	Ca	CC	CC
	C	-	-
Default	-	-	DDD
	-	-	DD
	-	D	D

**Short Term/Commercial Paper Investment Grade Ratings**

<b>Rating Interpretation</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
Superior Capacity	P-1	A-1+/A-1	F1+/F1
Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

<sup>1</sup> These are general credit rating guidelines and are for information only

## **GLOSSARY OF TERMS**

### **ACCRUED INTEREST**

Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

### **ASSET-BACKED SECURITIES (ABS)**

A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. For investors, asset-backed securities are an alternative to investing in corporate debt.

### **AVERAGE LIFE**

The length of time the principal of a debt issue is expected to be outstanding. The average life is an average period before a debt is repaid through amortization or sinking fund payments.

### **BANKERS' ACCEPTANCE**

A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

### **BASIS POINT**

One basis point is equal to 1/100 of one percent or .01%. Thus, 100 basis points equals 1%. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

### **BENCHMARK**

A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

### **BID**

The price at which a buyer offers to buy a security.

### **BOND**

A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is called the maturity date or maturity. In addition, the issuer of the bond, that is, the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

### **BOOK VALUE**

The value of a held security as carried in the records of an investor. May differ from current market value of the security.

**BROKER/DEALER**

Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

**CALLABLE SECURITIES**

An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

**COMMERCIAL PAPER**

Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

**COLLATERALIZED TIME DEPOSITS**

An interest-bearing bank deposit that has a specific maturity date.

**CORPORATE BOND**

A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher, even for top flight credit quality companies.

**COUPON RATE**

The annual rate of interest payable on a security expressed as a percentage of the principal amount.

**COVERED BOND**

A covered or mortgage bond is an on-balance sheet obligation of the issuing institution. Typically, a covered bond receives the legal structure, the issuer's backing and the pledge of quality assets, should the issuer fail to qualify for a higher rated bond.

**CREDIT RISK**

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CURRENT YIELD**

The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSIP NUMBERS**

CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.



**DISCOUNT**

The amount by which the par value of a security exceeds the price paid for the security.

**DIVERSIFICATION**

Dividing investment funds among a variety of securities offering independent returns.

**DURATION**

The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

**EARNINGS APPORTIONMENT**

The quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

**ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) PRINCIPLES**

Assessment of investment issuers with respect to the following:

Environmental: How a company limits its environmental impact and carbon footprint.

Social: How a company treats its employees, customers, community, and other companies with whom it interacts.

Governance: How a company is led and managed, including executive pay and internal controls.

**EQUITY-LINKED SECURITIES**

A hybrid debt instrument that is linked to the equity markets. Equity-linked securities can be in the form of a single stock, a group of stocks or an equity-based index, such as the S&P 500.

**EVENT-LINKED SECURITIES**

A type of bond whose interest and principal payments are determined based on the non-occurrence of certain events such as an earthquake and hurricane. If an event, usually referred to as a "trigger event", occurs, then the holder of the bond could see a loss of all future interest payments or a loss of most principal.

**FAIR VALUE**

The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL FUNDS**

Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**FEDERAL FUNDS RATE**

Interest rate at which banks lend federal funds to each other.

**FEDERAL OPEN MARKET COMMITTEE (FOMC)**

This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**FIDUCIARY**

An individual who holds something in trust for another and bears liability for its safekeeping.

**FLOATING RATE NOTE**

A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

**FUTURES**

Commodities, which are sold to be delivered at a future date

**INTEREST**

The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**INVERSE FLOATING RATE NOTES**

Variable-rate notes whose coupon and value increase as interest rates decrease.

**LEVERAGED FLOATER**

A security, generally a bond, which has a leverage factor of greater than one and a fixed margin with a variable coupon rate, which is tied to a benchmark interest rate or index.

**LIQUIDITY**

The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.

**LOCAL AGENCY INVESTMENT FUND (LAIF)**

The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

**MARKET RISK**

Market risk is the risk that investments will change in value based on changes in general market prices.

**MARKET VALUE**

The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT**

A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY**

The date upon which the principal of a security becomes due and payable to the holder.

**MONEY MARKET MUTUAL FUND**

A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

**MORTGAGE-BACKED SECURITIES (MBS)**

A type of asset-backed security that is secured by a mortgage or collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by an accredited credit rating agency, and usually pay periodic payments that are similar to coupon payments.

**MUNICIPAL BOND**

Debt obligation of a state or local government entity

**NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD)**

A negotiable certificate of deposit (NCD) is a certificate of deposit with a minimum face value of \$100,000, and they are guaranteed by the bank and can usually be sold in a highly liquid secondary market, but they cannot be cashed in before maturity.

**OPTION**

A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

**PAR**

The stated maturity value, or face value, of a security.

**PAR VALUE**

The stated or face value of a security expressed as a specific dollar amount marked on the face of the security, the amount of money due at maturity. Par value should not be confused with market value.

**PREMIUM**

The amount by which the price paid for a security exceeds the security's par value.

**PRIME RATE**

A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**PRUDENT-MAN RULE**

When one person is given control over another's assets, such fiduciaries must act as a prudent man or woman would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**RANGE NOTE**

A structured note that provides investors with an above market coupon, but against foregoing coupon payments when the floating rate (LIBOR, typically) breaks outside the boundaries of a specific range.

**RATE OF RETURN**

The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.

**REPURCHASE AGREEMENT OR RP OR REPO**

An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

**SAFEKEEPING**

A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank in the customer's name.

**SECURITIES LENDING**

A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

**SETTLEMENT DATE**

The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

**STRIPs**

Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

**STRUCTURED INVESTMENT VEHICLES (SIV)**

A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS).

**TRADE DATE**

The date and time corresponding to an investor's commitment to buy or sell a security.

**U.S. AGENCY OBLIGATIONS**

Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank and PEFCO.

**US INSTRUMENTALITIES**

An organization that serves a public purpose and is closely tied to federal and/or state government, but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government.

**U.S. TREASURY OBLIGATIONS (TREASURIES)**

Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**WEIGHTED AVERAGE MATURITY**

The remaining average maturity of all securities held in a portfolio.

**YIELD**

The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**ZERO-COUPON BOND**

A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.



Sandie Arnott  
TREASURER-TAX COLLECTOR

# SAN MATEO COUNTY INVESTMENT POOL FUND MAY 2023 MONTH END REPORT





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# INTRODUCTION SUMMARY

Gross earnings for the month ending May 2023 was 3.072%. Current average maturity of the portfolio is 1.67 years with an average duration of 1.52 years. As of the end of the month, the pool is currently on pace to meet the target rate. The current Par Value of the pool is \$8.197 Billion. The largest non-government aggregate position is currently Amazon.com Inc at 0.91%. The portfolio continues to hold no derivative products.

The estimated earnings for FY 2022-23 is 2.2%.

The San Mateo County Pool complies with Government Code Section 53646, which requires the ability to meet its expenditure requirements for the next six months.

I certify, and our compliance advisor, Silicon Valley Treasury Consulting Group, confirms these reports are in compliance with the Investment Policy dated Calendar Year 2023. Please visit our website if you wish to review Silicon Valley Treasury Consulting Group's monthly compliance report:

<https://www.smcgov.org/treasurer/investment-information>

If you have any questions regarding any of these reports, please call me at (650) 363-4470.

Best regards,

Sandie Arnott  
Treasurer-Tax Collector





Sandie Arnott  
Treasurer-Tax Collector

May 31, 2023

RE: SAN MATEO COUNTY INVESTMENT POOL, GASB FAIR MARKET VALUE FACTOR AS OF 5/31/23

As of May 31, 2023, the GASB fair market value factor for the San Mateo County Investment Pool is 0.97462.

555 COUNTY CENTER, 1<sup>ST</sup> FLOOR, REDWOOD CITY, CA 94063



## ESTIMATED SUMMARY OF POOL EARNINGS

May 2023

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b><u>Fixed Income Securities Maturing &gt; 1 year</u></b>				
U S Treasury Notes	\$ 1,395,405,000.00	\$ 1,311,193.65	Corporate Notes	\$ 198,366.86
Corporate Notes	834,727,000.00	1,638,279.11	Federal Agencies	1,565,136.72
Federal Agencies	2,527,087,000.00	8,129,700.04	U.S. Instrumentalities	8,196.62
U.S. Instrumentalities	129,040,000.00	84,203.66	Asset Backed Securities	23,264.34
Asset Backed Securities	45,085,511.84	23,107.13	Dreyfus	278,293.46
Certificate of Deposit	-	-	Union Bank Earnings Credit	38,136.25
	<b>\$ 4,931,344,511.84</b>	<b>\$ 11,186,483.59</b>	<b>Total Realized Income</b>	<b>\$ 2,111,394.25</b>
<b><u>Short Term Securities Maturing &lt; 1 year</u></b>				
U S Treasury Notes	\$ 629,200,000.00	\$ 724,601.40		
Corporate Notes	133,940,000.00	108,433.18		
Floating Rate Securities	10,000,000.00	18,218.41		
Federal Agencies	1,787,584,000.00	5,505,840.30		
U.S. Instrumentalities	163,581,000.00	514,170.70		
U.S. Treasury Bills	80,000,000.00	339,493.05		
Asset Backed Securities	976,087.09	128.90		
Certificate of Deposit	100,000,000.00	460,541.10		
Commercial Paper	55,000,000.00	245,890.28		
Dreyfus	55,232,536.52	-		
CAMP	250,000,000.00	345,904.11		
	<b>\$ 3,265,513,623.61</b>	<b>\$ 8,263,221.43</b>		
<b>Total Accrued Interest</b>	<b>\$ 8,196,858,135.45</b>	<b>\$ 19,449,705.02</b>		
<b>Total Dollar Earnings for May</b>		<b>\$ 21,561,099.24</b>		

	<b>AVERAGE BALANCE</b>		<b>\$ 8,263,414,637.06</b>
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>3.072%</b>		<b>21,561,099.24</b>
<b>ADMINISTRATION FEES*</b>			<b>(666,733.04)</b>
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>2.977%</b>		<b>\$ 20,894,366.20</b>

\*Current admin fees rate is at 9.5bp

SAN MATEO COUNTY TREASURER'S OFFICE  
**FIXED INCOME DISTRIBUTION - SETTLED TRADES**  
***SAN MATEO COUNTY POOL***

May 31, 2023

**Summary Information**

<b>Totals</b>		<b>Weighted Averages</b>	
Par Value	8,196,858,135	Average YTM	4.83
Market Value	8,009,085,105.86	Average Maturity (yrs)	1.67
Total Cost	8,164,707,563.54	Average Coupon (%)	2.64
Net Gain/Loss	-155,622,457.68	Average Duration	1.52
Annual Income	213,040,285.45	Average Moody Rating	Aa1
Accrued Interest	53,979,211.63	Average S&P Rating	AA
Number of Issues	389		

**Distribution by Maturity**

<b>Maturity</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
Under 1 Yr	144	3,381,332,603.83	42.2	4.8	2.351%	0.4
1 Yr - 3 Yrs	151	3,040,084,216.37	38.0	4.9	2.518%	1.7
3 Yrs - 5 Yrs	94	1,587,668,285.67	19.8	4.8	3.467%	3.6

**Distribution by Coupon**

<b>Coupon %</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
Under 1%	108	2,339,287,239.10	29.2	4.5	0.305%	1.3
1% - 3%	117	2,256,642,807.94	28.2	4.8	2.053%	1.5
3% - 5%	105	1,980,611,441.02	24.7	4.7	4.189%	1.3
5% - 7%	59	1,432,543,617.81	17.9	5.6	5.258%	2.3

**Distribution by Duration**

<b>Duration</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
Under 1 Yr	154	3,577,873,701.93	44.7	4.9	2.453%	0.4
1 Yr - 3 Yrs	152	3,045,165,758.99	38.0	4.8	2.451%	1.8
3 Yrs - 5 Yrs	83	1,386,045,644.94	17.3	4.8	3.512%	3.7

SAN MATEO COUNTY TREASURER'S OFFICE  
**FIXED INCOME DISTRIBUTION - SETTLED TRADES**  
***SAN MATEO COUNTY POOL***  
*May 31, 2023*

**Distribution by Moody Rating**

<b>Rating</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
Aaa	278	6,881,907,045.88	85.9	4.8	2.599%	1.4
Aa1	1	1,793,729.75	0.0	5.5	2.101%	1.1
Aa2	8	74,607,737.08	0.9	4.8	3.019%	2.2
Aa3	4	43,850,193.31	0.5	4.7	3.835%	2.9
A1	39	409,203,078.87	5.1	5.2	2.912%	1.8
A2	33	320,841,954.13	4.0	5.0	2.475%	2.1
A3	18	152,141,661.74	1.9	5.2	2.792%	2.2
Not Rated	8	124,739,705.10	1.6	4.6	3.325%	1.6

**Distribution by S&P Rating**

<b>Rating</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
AAA	34	648,316,358.34	8.1	3.2	2.409%	0.8
AA+	248	6,255,204,615.53	78.1	5.0	2.615%	1.5
AA	9	102,884,660.12	1.3	4.5	2.435%	2.9
AA-	8	91,115,614.55	1.1	5.2	4.132%	1.4
A+	22	209,993,193.45	2.6	5.2	2.845%	1.1
A	30	313,661,615.79	3.9	5.3	2.731%	2.0
A-	27	263,485,118.91	3.3	4.9	2.746%	2.2
BBB+	9	96,549,713.44	1.2	5.2	2.906%	2.0
Not Rated	2	27,874,215.72	0.3	3.9	3.650%	4.1

\*\* MARKET VALUE ON THE FIXED INCOME DISTRIBUTION REPORT INCLUDES ANY ACCRUED INTEREST THAT A SECURITY HAS EARNED. TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MONTHLY TRANSACTION SUMMARY REPORT IS AVAILABLE UPON REQUEST.

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*May 31, 2023*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
<b>CERTIFICATE OF DEPOSIT</b>													
CANADIAN IMP BK COMM NY	5.50	09-01-23			50,000,000	100.00	50,000,000.00	100.00	50,000,000.00	695,138.89	50,695,138.89	A+	0.63
TORONTO DOMINION BANK NY	5.35	01-31-24			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	215,486.11	25,215,486.11	AA-	0.31
MUFG BANK LTD/NY	5.34	03-28-24			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	203,958.33	25,203,958.33	A	0.31
					100,000,000		100,000,000.00		100,000,000.00	1,114,583.33	101,114,583.33		1.26
<b>COMMERCIAL PAPER</b>													
MUFG BANK LTD/NY	5.26	06-28-23			30,000,000	96.95	29,083,883.33	99.59	29,877,267.00	1,477,183.33	31,354,450.33	A	0.38
CREDIT AGRICOLE CIB NY	0.00	10-03-23			25,000,000	97.44	24,361,250.00	98.23	24,556,422.50	0.00	24,556,422.50	A+	0.31
					55,000,000		53,445,133.33		54,433,689.50	1,477,183.33	55,910,872.83		0.68
<b>LOCAL AGENCY INVESTMENT FUND</b>													
CA ASSET MGMT PROGRAM	4.00	06-01-23			150,000,000	100.00	150,000,000.00	100.00	150,000,000.00	500,000.00	150,500,000.00	AAA	1.89
CA ASSET MGMT PROGRAM TERM	5.13	01-25-24			50,000,000	100.00	50,000,000.00	100.00	50,000,000.00	897,750.00	50,897,750.00	AAA	0.63
CA ASSET MGMT PROGRAM TERM	5.08	02-23-24			50,000,000	100.00	50,000,000.00	100.00	50,000,000.00	684,388.89	50,684,388.89	AAA	0.63
					250,000,000		250,000,000.00		250,000,000.00	2,082,138.89	252,082,138.89		3.14
<b>UNITED STATES TREASURY-BILLS</b>													
TREASURY BILL	0.00	07-13-23			15,000,000	98.77	14,814,850.00	99.41	14,910,988.50	0.00	14,910,988.50	AA+	0.19
TREASURY BILL	0.00	07-13-23			25,000,000	98.78	24,695,000.00	99.41	24,851,647.50	0.00	24,851,647.50	AA+	0.31
TREASURY BILL	0.00	07-20-23			25,000,000	98.74	24,685,291.67	99.31	24,826,883.75	0.00	24,826,883.75	AA+	0.31
TREASURY BILL	0.00	08-15-23			15,000,000	98.34	14,751,091.67	98.93	14,840,226.60	0.00	14,840,226.60	AA+	0.19
					80,000,000		78,946,233.34		79,429,746.35	0.00	79,429,746.35		1.00
<b>UNITED STATES TREASURY-NOTES</b>													
UNITED STATES TREAS NTS	2.62	06-30-23			25,000,000	102.91	25,727,539.06	99.79	24,946,540.50	273,739.64	25,220,280.14	AA+	0.31
UNITED STATES TREAS NTS	0.12	06-30-23			25,000,000	97.68	24,419,921.88	99.59	24,897,779.75	13,035.22	24,910,814.97	AA+	0.31
UNITED STATES TREAS NTS	2.75	07-31-23			25,000,000	103.65	25,912,109.38	99.58	24,894,131.00	227,900.55	25,122,031.55	AA+	0.31
UNITED STATES TREAS NTS	2.75	07-31-23			35,000,000	104.89	36,713,085.94	99.58	34,851,783.40	319,060.77	35,170,844.17	AA+	0.44
UNITED STATES TREAS NTS	2.75	08-31-23			11,800,000	103.55	12,218,531.25	99.37	11,725,328.18	82,469.61	11,807,797.80	AA+	0.15
UNITED STATES TREAS NTS	2.75	08-31-23			24,500,000	104.76	25,665,664.06	99.37	24,344,961.06	171,229.28	24,516,190.34	AA+	0.31
UNITED STATES TREAS NTS	2.87	09-30-23			9,485,000	104.35	9,897,745.70	99.20	9,409,416.41	45,448.96	9,454,865.36	AA+	0.12
UNITED STATES TREAS NTS	2.87	09-30-23			22,425,000	105.45	23,646,987.30	99.20	22,246,300.78	107,453.12	22,353,753.91	AA+	0.28
UNITED STATES TREAS NTS	0.12	10-15-23			16,500,000	99.29	16,383,339.84	98.09	16,184,179.77	2,592.21	16,186,771.98	AA+	0.20
UNITED STATES TREAS NTS	1.62	10-31-23			50,000,000	100.16	50,078,125.00	98.48	49,238,281.00	68,818.31	49,307,099.31	AA+	0.62
UNITED STATES TREAS NTS	0.25	11-15-23			32,000,000	100.25	32,081,250.00	97.71	31,268,750.08	3,478.26	31,272,228.34	AA+	0.39
UNITED STATES TREAS NTS	2.87	11-30-23			26,000,000	104.20	27,092,812.50	98.84	25,697,343.88	0.00	25,697,343.88	AA+	0.32
UNITED STATES TREAS NTS	0.50	11-30-23			10,000,000	99.82	9,981,640.63	97.63	9,762,890.60	0.00	9,762,890.60	AA+	0.12
UNITED STATES TREAS NTS	2.62	12-31-23			25,000,000	103.46	25,864,257.81	98.48	24,620,117.25	602,311.64	25,222,428.89	AA+	0.31
UNITED STATES TREAS NTS	2.50	01-31-24			18,900,000	103.59	19,577,742.19	98.20	18,560,390.62	156,629.83	18,717,020.46	AA+	0.23
UNITED STATES TREAS NTS	2.50	01-31-24			43,000,000	104.37	44,879,570.31	98.20	42,227,343.75	356,353.59	42,583,697.34	AA+	0.53
UNITED STATES TREAS NTS	2.50	01-31-24			19,000,000	103.36	19,639,023.44	98.20	18,658,593.75	157,458.56	18,816,052.31	AA+	0.23
UNITED STATES TREAS NTS	0.12	02-15-24			20,000,000	99.41	19,882,812.50	96.42	19,283,593.80	7,251.38	19,290,845.18	AA+	0.24
UNITED STATES TREAS NTS	2.37	02-29-24			31,790,000	103.20	32,805,789.84	97.90	31,123,155.16	188,753.12	31,311,908.28	AA+	0.39
UNITED STATES TREAS NTS	2.12	02-29-24			15,500,000	102.43	15,876,601.56	97.68	15,140,351.64	82,343.75	15,222,695.39	AA+	0.19
UNITED STATES TREAS NTS	2.12	02-29-24			40,000,000	101.59	40,635,937.50	97.68	39,071,875.20	212,500.00	39,284,375.20	AA+	0.49
UNITED STATES TREAS NTS	2.12	03-31-24			29,300,000	102.23	29,953,527.34	97.46	28,557,199.29	104,898.78	28,662,098.07	AA+	0.36
UNITED STATES TREAS NTS	2.25	04-30-24			15,000,000	102.87	15,430,664.06	97.32	14,597,460.90	28,430.71	14,625,891.61	AA+	0.18
UNITED STATES TREAS NTS	2.25	04-30-24			25,000,000	102.44	25,610,351.56	97.32	24,329,101.50	47,384.51	24,376,486.01	AA+	0.31
UNITED STATES TREAS NTS	2.25	04-30-24			19,000,000	106.78	20,287,695.31	97.32	18,490,117.14	36,012.23	18,526,129.37	AA+	0.23
UNITED STATES TREAS NTS	2.00	04-30-24			15,000,000	102.04	15,305,859.38	97.09	14,563,476.60	25,271.74	14,588,748.34	AA+	0.18
UNITED STATES TREAS NTS	2.50	05-15-24			25,000,000	104.22	26,055,664.06	97.44	24,360,351.50	27,173.91	24,387,525.41	AA+	0.31
UNITED STATES TREAS NTS	2.00	05-31-24			15,125,000	102.00	15,427,500.00	96.88	14,653,525.31	822.01	14,654,347.33	AA+	0.18

SAN MATEO COUNTY TREASURER'S OFFICE  
PORTFOLIO APPRAISAL  
*SAN MATEO COUNTY POOL*  
May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
UNITED STATES TREAS NTS	2.00	06-30-24			5,100,000	101.89	5,196,222.66	96.71	4,932,457.04	42,546.96	4,975,004.01	AA+	0.06
UNITED STATES TREAS NTS	2.00	06-30-24			10,000,000	101.85	10,185,156.25	96.71	9,671,484.40	83,425.41	9,754,909.81	AA+	0.12
UNITED STATES TREAS NTS	2.00	06-30-24			25,000,000	101.44	25,360,351.56	96.71	24,178,711.00	208,563.54	24,387,274.54	AA+	0.30
UNITED STATES TREAS NTS	2.00	06-30-24			25,000,000	105.14	26,285,156.25	96.71	24,178,711.00	208,563.54	24,387,274.54	AA+	0.30
UNITED STATES TREAS NTS	2.12	07-31-24			25,000,000	101.98	25,496,093.75	96.70	24,175,781.25	176,104.97	24,351,886.22	AA+	0.30
UNITED STATES TREAS NTS	3.00	07-31-24			19,400,000	98.77	19,161,029.48	97.69	18,951,375.00	194,000.00	19,145,375.00	AA+	0.24
UNITED STATES TREAS NTS	1.87	08-31-24			25,000,000	100.86	25,213,867.19	96.28	24,069,336.00	119,129.83	24,188,465.83	AA+	0.30
UNITED STATES TREAS NTS	2.12	09-30-24			15,900,000	102.27	16,260,855.47	96.47	15,339,152.30	56,312.50	15,395,464.80	AA+	0.19
UNITED STATES TREAS NTS	1.50	09-30-24			9,000,000	100.80	9,072,070.31	95.68	8,611,523.46	22,500.00	8,634,023.46	AA+	0.11
UNITED STATES TREAS NTS	1.50	09-30-24			25,000,000	104.75	26,186,523.44	95.68	23,920,898.50	62,500.00	23,983,398.50	AA+	0.30
UNITED STATES TREAS NTS	1.50	10-31-24			33,895,000	99.94	33,875,139.65	95.51	32,372,372.88	43,063.32	32,415,436.20	AA+	0.41
UNITED STATES TREAS NTS	1.50	10-31-24			10,000,000	104.53	10,453,125.00	95.51	9,550,781.20	12,704.92	9,563,486.12	AA+	0.12
UNITED STATES TREAS NTS	1.50	10-31-24			34,500,000	103.57	35,730,410.16	95.51	32,950,195.14	43,831.97	32,994,027.11	AA+	0.41
UNITED STATES TREAS NTS	0.75	11-15-24			15,000,000	99.62	14,943,750.00	94.36	14,154,492.15	4,891.30	14,159,383.45	AA+	0.18
UNITED STATES TREAS NTS	1.00	12-15-24			35,000,000	100.04	35,013,671.88	94.49	33,070,898.35	160,576.92	33,231,475.27	AA+	0.42
UNITED STATES TREAS NTS	1.75	12-31-24			25,000,000	104.49	26,123,046.88	95.54	23,883,789.00	182,692.31	24,066,481.31	AA+	0.30
UNITED STATES TREAS NTS	1.37	01-31-25			25,000,000	103.08	25,770,507.81	94.82	23,706,054.75	113,950.28	23,820,005.03	AA+	0.30
UNITED STATES TREAS NTS	1.50	02-15-25			29,350,000	95.33	27,979,824.48	94.94	27,865,302.66	129,629.17	27,994,931.83	AA+	0.35
UNITED STATES TREAS NTS	0.50	03-31-25			25,000,000	99.58	24,894,531.25	93.02	23,254,882.75	21,059.78	23,275,942.53	AA+	0.29
UNITED STATES TREAS NTS	0.25	05-31-25			10,125,000	98.45	9,967,587.89	92.11	9,325,678.74	68.78	9,325,747.52	AA+	0.12
UNITED STATES TREAS NTS	0.25	05-31-25			11,000,000	98.32	10,815,664.06	92.11	10,131,601.59	74.73	10,131,676.32	AA+	0.13
UNITED STATES TREAS NTS	2.75	06-30-25			25,000,000	108.70	27,174,804.69	96.79	24,197,265.50	286,774.86	24,484,040.36	AA+	0.30
UNITED STATES TREAS NTS	0.25	06-30-25			19,000,000	98.18	18,654,140.63	91.98	17,475,546.78	19,813.54	17,495,360.32	AA+	0.22
UNITED STATES TREAS NTS	0.25	06-30-25			10,000,000	98.17	9,817,187.50	91.98	9,197,656.20	10,428.18	9,208,084.38	AA+	0.12
UNITED STATES TREAS NTS	0.25	07-31-25			20,000,000	99.74	19,947,656.25	91.68	18,335,156.20	16,574.59	18,351,730.79	AA+	0.23
UNITED STATES TREAS NTS	0.25	07-31-25			10,175,000	98.21	9,992,962.89	91.68	9,328,010.72	8,432.32	9,336,443.04	AA+	0.12
UNITED STATES TREAS NTS	0.25	07-31-25			30,000,000	97.90	29,370,703.13	91.68	27,502,734.30	24,861.88	27,527,596.18	AA+	0.35
UNITED STATES TREAS NTS	0.25	08-31-25			25,000,000	98.82	24,706,054.69	91.43	22,857,422.00	15,883.98	22,873,305.98	AA+	0.29
UNITED STATES TREAS NTS	0.25	09-30-25			20,000,000	98.20	19,639,843.75	91.33	18,266,406.20	8,333.33	18,274,739.53	AA+	0.23
UNITED STATES TREAS NTS	0.25	10-31-25			11,000,000	99.04	10,893,867.19	91.00	10,009,570.34	2,329.23	10,011,899.57	AA+	0.13
UNITED STATES TREAS NTS	0.25	10-31-25			25,000,000	97.68	24,419,921.88	91.00	22,749,023.50	5,293.72	22,754,317.22	AA+	0.29
UNITED STATES TREAS NTS	0.25	10-31-25			25,000,000	97.84	24,460,937.50	91.00	22,749,023.50	5,293.72	22,754,317.22	AA+	0.29
UNITED STATES TREAS NTS	0.37	11-30-25			48,800,000	98.17	47,907,875.00	91.07	44,444,218.87	0.00	44,444,218.87	AA+	0.56
UNITED STATES TREAS NTS	0.37	12-31-25			14,000,000	99.92	13,988,515.63	90.96	12,734,531.32	21,923.08	12,756,454.40	AA+	0.16
UNITED STATES TREAS NTS	0.37	01-31-26			40,500,000	98.99	40,090,253.91	90.66	36,715,781.25	50,345.30	36,766,126.55	AA+	0.46
UNITED STATES TREAS NTS	0.37	01-31-26			20,000,000	98.05	19,610,937.50	90.66	18,131,250.00	24,861.88	18,156,111.88	AA+	0.23
UNITED STATES TREAS NTS	1.62	02-15-26			50,000,000	103.85	51,923,828.13	93.67	46,833,984.50	235,669.89	47,069,654.39	AA+	0.59
UNITED STATES TREAS NTS	2.50	02-28-26			46,100,000	108.14	49,854,628.91	95.89	44,205,578.12	288,125.00	44,493,703.12	AA+	0.56
UNITED STATES TREAS NTS	0.50	02-28-26			20,000,000	98.42	19,683,593.75	90.73	18,145,312.40	24,728.26	18,170,040.66	AA+	0.23
UNITED STATES TREAS NTS	0.75	03-31-26			10,200,000	97.21	9,915,515.63	91.29	9,311,882.84	12,888.59	9,324,771.42	AA+	0.12
UNITED STATES TREAS NTS	0.75	03-31-26			11,500,000	91.90	10,567,988.92	91.29	10,498,691.43	14,531.25	10,513,222.68	AA+	0.13
UNITED STATES TREAS NTS	0.75	04-30-26			10,000,000	99.69	9,969,140.63	91.00	9,099,609.40	6,317.93	9,105,927.33	AA+	0.11
UNITED STATES TREAS NTS	0.75	04-30-26			18,000,000	98.03	17,645,625.00	91.00	16,379,296.92	11,372.28	16,390,669.20	AA+	0.21
UNITED STATES TREAS NTS	0.75	04-30-26			25,000,000	92.27	23,067,382.81	91.00	22,749,023.50	15,794.84	22,764,818.34	AA+	0.29
UNITED STATES TREAS NTS	0.75	05-31-26			14,250,000	99.84	14,227,177.73	90.80	12,939,111.29	290.42	12,939,401.71	AA+	0.16
UNITED STATES TREAS NTS	0.75	05-31-26			15,000,000	99.83	14,974,804.69	90.80	13,620,117.15	305.71	13,620,422.86	AA+	0.17
UNITED STATES TREAS NTS	0.75	05-31-26			20,500,000	100.11	20,522,421.88	90.80	18,614,160.10	417.80	18,614,577.90	AA+	0.23
UNITED STATES TREAS NTS	0.87	06-30-26			26,000,000	98.72	25,666,875.00	91.09	23,682,343.88	94,896.41	23,777,240.29	AA+	0.30
UNITED STATES TREAS NTS	0.62	07-31-26			10,000,000	95.80	9,580,078.13	90.04	9,003,515.60	20,718.23	9,024,233.83	AA+	0.11
UNITED STATES TREAS NTS	0.75	08-31-26			15,975,000	99.36	15,872,036.13	90.18	14,406,205.16	30,449.59	14,436,654.74	AA+	0.18
UNITED STATES TREAS NTS	0.75	08-31-26			17,000,000	97.83	16,630,781.25	90.18	15,330,546.96	32,403.31	15,362,950.27	AA+	0.19
UNITED STATES TREAS NTS	0.75	08-31-26			20,000,000	88.75	17,749,218.75	90.18	18,035,937.60	38,121.55	18,074,059.15	AA+	0.23
UNITED STATES TREAS NTS	1.62	09-30-26			25,000,000	101.72	25,430,664.06	92.72	23,179,687.50	67,708.33	23,247,395.83	AA+	0.29

SAN MATEO COUNTY TREASURER'S OFFICE  
PORTFOLIO APPRAISAL  
*SAN MATEO COUNTY POOL*  
May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
UNITED STATES TREAS NTS	0.87	09-30-26			10,000,000	99.69	9,968,750.00	90.45	9,045,312.50	14,583.33	9,059,895.83	AA+	0.11
UNITED STATES TREAS NTS	0.87	09-30-26			13,000,000	99.05	12,876,601.56	90.45	11,758,906.25	18,958.33	11,777,864.58	AA+	0.15
UNITED STATES TREAS NTS	1.12	10-31-26			35,000,000	99.54	34,837,304.69	90.99	31,847,265.80	33,350.41	31,880,616.21	AA+	0.40
UNITED STATES TREAS NTS	1.62	11-30-26			15,000,000	101.82	15,272,460.94	92.45	13,867,382.85	0.00	13,867,382.85	AA+	0.17
UNITED STATES TREAS NTS	1.62	11-30-26			4,000,000	94.70	3,788,125.00	92.45	3,697,968.76	0.00	3,697,968.76	AA+	0.05
UNITED STATES TREAS NTS	1.25	12-31-26			18,500,000	92.12	17,043,097.05	91.12	16,856,679.78	96,354.17	16,953,033.95	AA+	0.21
UNITED STATES TREAS NTS	1.87	02-28-27			14,760,000	92.47	13,648,387.50	92.89	13,710,079.72	71,493.75	13,781,573.47	AA+	0.17
UNITED STATES TREAS NTS	2.50	03-31-27			11,450,000	95.71	10,958,662.83	95.00	10,877,500.00	47,708.33	10,925,208.33	AA+	0.14
UNITED STATES TREAS NTS	4.12	10-31-27			15,200,000	102.02	15,506,375.00	101.06	15,360,906.29	52,250.00	15,413,156.29	AA+	0.19
UNITED STATES TREAS NTS	2.25	11-15-27			39,400,000	94.54	37,248,390.63	93.52	36,845,156.25	39,400.00	36,884,556.25	AA+	0.46
UNITED STATES TREAS NTS	2.75	02-15-28			25,000,000	97.52	24,379,138.25	95.44	23,859,375.00	202,430.56	24,061,805.56	AA+	0.30
UNITED STATES TREAS NTS	2.75	02-15-28			4,200,000	96.70	4,061,481.39	95.44	4,008,375.00	34,008.33	4,042,383.33	AA+	0.05
UNITED STATES TREAS NTS	1.25	04-30-28			13,500,000	87.82	11,855,719.26	88.64	11,966,484.37	14,062.50	11,980,546.87	AA+	0.15
					2,024,605,000		2,036,438,252.46		1,920,429,812.61	7,255,500.65	1,927,685,313.27		24.14
<b>FEDERAL AGENCY SECURITIES</b>													
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	06-02-23			20,000,000	97.28	19,455,480.60	99.99	19,997,554.80	0.00	19,997,554.80	AA+	0.25
FEDERAL HOME LOAN BANK	3.30	06-09-23			25,000,000	100.00	25,000,000.00	99.95	24,988,084.50	394,166.67	25,382,251.17	AA+	0.31
FEDERAL HOME LOAN BANK	2.12	06-09-23			20,000,000	100.67	20,133,600.00	99.93	19,985,971.60	203,055.56	20,189,027.16	AA+	0.25
FEDERAL HOME LOAN BANK	2.12	06-09-23			10,000,000	100.82	10,081,800.00	99.93	9,992,985.80	101,527.78	10,094,513.58	AA+	0.13
FEDERAL HOME LOAN DISCOUNT NOTE	0.00	06-09-23			25,000,000	97.28	24,320,139.00	99.90	24,975,558.25	0.00	24,975,558.25	AA+	0.31
FEDERAL HOME LOAN BANK	3.33	06-15-23			25,000,000	100.00	25,000,000.00	99.92	24,980,301.25	383,875.00	25,364,176.25	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	06-16-23			25,000,000	99.15	24,788,297.50	99.81	24,953,212.75	0.00	24,953,212.75	AA+	0.31
FEDERAL HOME LOAN BANK	2.00	06-23-23			10,300,000	99.77	10,276,825.00	99.86	10,285,336.51	90,411.11	10,375,747.62	AA+	0.13
FEDERAL HOME LOAN DISCOUNT NOTE	0.00	06-23-23			45,000,000	98.90	44,505,450.00	99.73	44,879,116.05	0.00	44,879,116.05	AA+	0.56
FEDERAL HOME LOAN MORTGAGE CORP	0.25	06-26-23			15,000,000	97.43	14,614,200.00	99.63	14,943,954.15	16,145.83	14,960,099.98	AA+	0.19
FEDERAL HOME LOAN BANK	2.70	06-27-23			10,000,000	100.00	10,000,000.00	99.80	9,980,345.10	115,500.00	10,095,845.10	AA+	0.13
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	06-28-23			25,000,000	97.34	24,334,319.44	99.67	24,917,604.50	0.00	24,917,604.50	AA+	0.31
FEDERAL HOME LOAN BANK	4.55	06-30-23			25,000,000	100.00	25,000,000.00	99.94	24,983,797.25	473,958.33	25,457,755.58	AA+	0.31
FEDERAL HOME LOAN BANK	2.35	07-05-23	06-07-23	100	30,000,000	100.04	30,012,525.20	99.76	29,928,048.90	340,750.00	30,268,798.90	AA+	0.38
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.25	07-10-23			23,600,000	99.78	23,549,260.00	99.44	23,467,535.32	23,108.33	23,490,643.66	AA+	0.29
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	07-13-23			25,000,000	96.84	24,210,979.25	99.42	24,854,787.25	0.00	24,854,787.25	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	07-13-23			25,000,000	96.85	24,212,944.50	99.42	24,854,787.25	0.00	24,854,787.25	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	07-21-23			10,000,000	96.95	9,695,000.00	99.31	9,930,889.40	0.00	9,930,889.40	AA+	0.12
FEDERAL HOME LOAN BANK	4.25	07-24-23			25,000,000	100.00	25,000,000.00	99.84	24,961,183.75	374,826.39	25,336,010.14	AA+	0.31
FEDERAL FARM CREDIT BANK	4.67	07-26-23	06-26-23	100	25,000,000	100.00	25,000,000.00	99.87	24,968,528.25	405,381.94	25,373,910.19	AA+	0.31
FEDERAL HOME LOAN BANK	3.25	07-28-23			10,000,000	100.00	10,000,000.00	99.63	9,963,093.90	111,041.67	10,074,135.57	AA+	0.13
FEDERAL HOME LOAN BANK	2.50	07-28-23			10,000,000	100.00	10,000,000.00	99.75	9,975,451.10	22,916.67	9,998,367.77	AA+	0.13
FEDERAL HOME LOAN BANK	3.55	07-28-23	06-28-23	100	25,000,000	100.00	25,000,000.00	99.70	24,925,542.50	155,312.50	25,080,855.00	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	07-28-23			15,000,000	97.00	14,549,333.33	99.21	14,881,878.15	0.00	14,881,878.15	AA+	0.19
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	07-28-23			25,000,000	98.60	24,650,020.83	99.21	24,803,130.25	0.00	24,803,130.25	AA+	0.31
FEDERAL HOME LOAN BANK	3.12	08-01-23			15,000,000	100.00	15,000,000.00	99.63	14,944,326.15	156,250.00	15,100,576.15	AA+	0.19
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	08-01-23			25,000,000	96.90	24,225,750.00	99.14	24,783,935.75	0.00	24,783,935.75	AA+	0.31
FEDERAL FARM CREDIT	0.15	08-10-23			12,000,000	96.88	11,625,912.00	99.01	11,880,611.16	5,550.00	11,886,161.16	AA+	0.15
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.30	08-10-23			25,000,000	99.83	24,957,250.00	99.04	24,761,201.75	23,125.00	24,784,326.75	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	08-11-23			15,000,000	96.84	14,526,000.00	99.02	14,852,311.80	0.00	14,852,311.80	AA+	0.19
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	08-11-23			20,000,000	96.47	19,293,655.60	99.02	19,803,082.40	0.00	19,803,082.40	AA+	0.25
FEDERAL HOME LOAN MORTGAGE CORP DN	0.00	08-14-23			25,000,000	98.36	24,589,250.00	98.97	24,743,506.00	0.00	24,743,506.00	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	0.25	08-24-23			15,000,000	96.91	14,536,500.00	98.81	14,821,194.15	10,104.17	14,831,298.32	AA+	0.19
FEDERAL HOME LOAN BANK	3.50	08-28-23			15,000,000	100.00	15,000,000.00	99.53	14,930,226.75	135,625.00	15,065,851.75	AA+	0.19
FEDERAL HOME LOAN BANK	3.51	08-28-23			10,000,000	99.22	9,921,520.00	99.58	9,958,008.50	90,675.00	10,048,683.50	AA+	0.13
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	09-01-23			20,000,000	99.80	19,960,600.00	99.50	19,900,396.20	0.00	19,900,396.20	AA+	0.25
FEDERAL HOME LOAN BANK	3.62	09-06-23			10,810,000	100.00	10,810,000.00	99.53	10,759,491.25	92,523.09	10,852,014.34	AA+	0.14

SAN MATEO COUNTY TREASURER'S OFFICE  
PORTFOLIO APPRAISAL  
*SAN MATEO COUNTY POOL*  
May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	09-08-23			25,000,000	96.52	24,128,864.50	98.62	24,655,192.00	0.00	24,655,192.00	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	0.25	09-08-23			25,780,000	99.97	25,771,492.60	98.66	25,435,397.71	14,859.31	25,450,257.01	AA+	0.32
FEDERAL HOME LOAN BANK	3.55	09-15-23			10,000,000	100.00	10,000,000.00	99.44	9,944,442.80	74,944.44	10,019,387.24	AA+	0.13
FEDERAL HOME LOAN BANK	3.80	09-27-23	06-27-23	100	25,000,000	100.00	25,000,000.00	99.48	24,869,098.25	168,888.89	25,037,987.14	AA+	0.31
FEDERAL HOME LOAN BANK	3.80	09-27-23	06-27-23	100	25,000,000	100.00	25,000,000.00	99.48	24,869,098.25	168,888.89	25,037,987.14	AA+	0.31
FEDERAL HOME LOAN BANK	4.40	09-27-23			25,000,000	100.00	25,000,000.00	99.70	24,924,495.75	103,888.89	25,028,384.64	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	09-27-23			25,000,000	96.24	24,059,111.00	98.36	24,589,562.75	0.00	24,589,562.75	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	09-27-23			25,000,000	97.82	24,455,555.56	98.36	24,589,562.75	0.00	24,589,562.75	AA+	0.31
FEDERAL HOME LOAN BANK	4.60	09-28-23			20,000,000	99.96	19,991,200.00	99.75	19,950,557.80	161,000.00	20,111,557.80	AA+	0.25
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	09-28-23			8,269,000	95.85	7,926,204.01	98.34	8,132,102.82	0.00	8,132,102.82	AA+	0.10
FEDERAL HOME LOAN BANK	4.02	09-29-23			25,000,000	100.00	25,000,000.00	99.51	24,877,623.50	173,083.33	25,050,706.83	AA+	0.31
FEDERAL HOME LOAN BANK	4.25	09-29-23	06-29-23	100	15,000,000	100.00	15,000,000.00	99.61	14,941,996.65	109,791.67	15,051,788.32	AA+	0.19
FEDERAL HOME LOAN MORTGAGE CORP	0.12	10-16-23			19,580,000	99.63	19,506,966.60	98.11	19,210,320.98	3,059.37	19,213,380.36	AA+	0.24
FEDERAL HOME LOAN MORTGAGE CORP	0.12	10-16-23			25,000,000	95.72	23,930,600.00	98.11	24,527,989.00	3,906.25	24,531,895.25	AA+	0.31
FEDERAL HOME LOAN BANK	2.00	10-20-23	07-20-23	100	4,750,000	100.00	4,750,000.00	99.45	4,723,731.93	10,819.44	4,734,551.37	AA+	0.06
FEDERAL HOME LOAN BANK	4.50	10-26-23			25,000,000	100.00	25,000,000.00	99.66	24,915,073.50	109,375.00	25,024,448.50	AA+	0.31
FEDERAL HOME LOAN BANK	1.50	10-27-23			25,000,000	100.00	25,000,000.00	99.07	24,766,480.50	35,416.67	24,801,897.17	AA+	0.31
FEDERAL HOME LOAN BANK	1.62	10-27-23			25,000,000	100.00	25,000,000.00	99.20	24,799,640.25	36,111.11	24,835,751.36	AA+	0.31
FEDERAL HOME LOAN BANK	4.62	11-01-23			25,000,000	99.93	24,981,750.00	99.64	24,910,539.50	96,354.17	25,006,893.67	AA+	0.31
FEDERAL HOME LOAN BANK	4.00	11-03-23	08-03-23	100	25,000,000	100.00	25,000,000.00	99.54	24,884,476.25	77,777.78	24,962,254.03	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	0.25	11-06-23			15,000,000	99.91	14,986,500.00	97.90	14,684,446.80	2,604.17	14,687,050.97	AA+	0.18
FEDERAL FARM CREDIT BANK	5.05	11-09-23	06-09-23	100	9,796,000	100.00	9,796,000.00	99.74	9,770,732.59	30,231.54	9,800,964.13	AA+	0.12
FEDERAL HOME LOAN BANK	1.75	11-09-23			25,000,000	100.00	25,000,000.00	98.84	24,710,002.75	26,736.11	24,736,738.86	AA+	0.31
FEDERAL HOME LOAN BANK	4.75	11-21-23			25,000,000	99.88	24,970,750.00	99.66	24,914,365.50	32,986.11	24,947,351.61	AA+	0.31
FEDERAL HOME LOAN BANK	4.75	11-21-23			25,000,000	99.90	24,975,875.00	99.66	24,914,365.50	32,986.11	24,947,351.61	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.25	11-27-23			17,000,000	99.89	16,980,620.00	97.46	16,568,337.36	472.22	16,568,809.58	AA+	0.21
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.25	11-27-23			25,000,000	95.11	23,778,325.00	97.46	24,365,202.00	694.44	24,365,896.44	AA+	0.31
FEDERAL HOME LOAN BANK	5.05	11-28-23	08-28-23	100	25,000,000	100.00	25,000,000.00	99.72	24,928,826.75	10,520.83	24,939,347.58	AA+	0.31
FEDERAL HOME LOAN BANK	4.87	12-07-23			22,795,000	100.09	22,814,499.22	99.78	22,745,878.83	537,107.19	23,282,986.01	AA+	0.29
FEDERAL HOME LOAN BANK	5.00	12-15-23	06-15-23	100	25,000,000	100.00	25,000,000.00	99.73	24,933,563.25	576,388.89	25,509,952.14	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.00	12-20-23	06-20-23	100	25,000,000	100.00	25,000,000.00	99.68	24,920,455.75	559,027.78	25,479,483.53	AA+	0.31
FEDERAL HOME LOAN BANK	0.25	12-28-23	06-28-23	100	7,450,000	96.49	7,188,207.00	97.08	7,232,694.23	7,915.62	7,240,609.85	AA+	0.09
FEDERAL HOME LOAN BANK	3.00	12-29-23	06-29-23	100	5,355,000	99.70	5,338,935.00	98.61	5,280,621.03	67,830.00	5,348,451.03	AA+	0.07
FEDERAL HOME LOAN BANK	3.00	12-29-23	06-29-23	100	8,250,000	99.78	8,232,015.00	98.61	8,135,410.55	104,500.00	8,239,910.55	AA+	0.10
FEDERAL HOME LOAN BANK-DISCOUNT NOTE	0.00	01-04-24			25,000,000	96.62	24,154,375.00	97.06	24,264,323.75	0.00	24,264,323.75	AA+	0.31
FEDERAL HOME LOAN BANK-DISCOUNT NOTE	0.00	01-04-24			25,000,000	96.62	24,154,368.06	97.06	24,264,323.75	0.00	24,264,323.75	AA+	0.31
FEDERAL HOME LOAN BANK DISCOUNT NOTE	0.00	01-16-24			25,000,000	96.48	24,119,385.42	96.90	24,224,278.75	0.00	24,224,278.75	AA+	0.30
FEDERAL HOME LOAN BANK	5.00	01-26-24	07-26-23	100	25,000,000	100.00	25,000,000.00	99.60	24,899,028.50	434,027.78	25,333,056.28	AA+	0.31
FEDERAL HOME LOAN BANK	1.87	01-29-24	07-29-23	100	25,000,000	100.00	25,000,000.00	99.00	24,750,733.75	41,666.67	24,792,400.42	AA+	0.31
FEDERAL HOME LOAN BANK	4.92	02-01-24			25,000,000	100.00	25,000,000.00	99.74	24,934,198.75	410,000.00	25,344,198.75	AA+	0.31
FEDERAL HOME LOAN BANK - DISCOUNT NOTE	0.00	02-01-24			25,000,000	96.32	24,080,895.83	96.72	24,178,818.75	0.00	24,178,818.75	AA+	0.30
FEDERAL HOME LOAN BANK-DISCOUNT NOTE	0.00	02-02-24			25,000,000	96.41	24,101,375.00	96.70	24,175,522.75	0.00	24,175,522.75	AA+	0.30
FEDERAL HOME LOAN BANK	4.78	02-07-24			10,000,000	101.01	10,100,848.89	99.57	9,957,112.60	151,366.67	10,108,479.27	AA+	0.13
FEDERAL FARM CREDIT BANK	5.04	02-23-24	06-23-23	100	15,239,000	100.00	15,239,000.00	99.55	15,170,814.77	209,079.08	15,379,893.85	AA+	0.19
FEDERAL HOME LOAN BANK	2.66	02-23-24			25,000,000	100.00	25,000,000.00	98.07	24,517,754.50	181,027.78	24,698,782.28	AA+	0.31
FEDERAL HOME LOAN BANK	4.75	03-08-24			4,000,000	100.03	4,001,240.00	99.63	3,985,105.12	43,805.56	4,028,910.68	AA+	0.05
FEDERAL HOME LOAN BANK	4.75	03-08-24			25,000,000	100.08	25,019,700.00	99.63	24,906,907.00	273,784.72	25,180,691.72	AA+	0.31
FEDERAL HOME LOAN BANK	4.75	03-08-24			4,470,000	99.94	4,467,228.60	99.63	4,453,354.97	48,952.71	4,502,307.68	AA+	0.06
FEDERAL HOME LOAN BANK	4.75	03-08-24			19,000,000	99.91	18,982,074.07	99.63	18,929,249.32	208,076.39	19,137,325.71	AA+	0.24
FEDERAL HOME LOAN BANK	4.00	03-28-24			3,250,000	99.55	3,235,375.00	98.99	3,217,306.95	22,750.00	3,240,056.95	AA+	0.04
FEDERAL HOME LOAN BANK	5.50	04-01-24	09-08-23	100	5,100,000	100.00	5,100,000.00	99.68	5,083,751.91	64,670.83	5,148,422.74	AA+	0.06
FEDERAL HOME LOAN BANK	5.34	04-23-24	06-28-23	100	10,000,000	100.10	10,010,450.00	99.59	9,958,771.60	93,450.00	10,052,221.60	AA+	0.13
FEDERAL HOME LOAN BANK	2.72	04-29-24	07-29-23	100	25,000,000	100.00	25,000,000.00	97.63	24,406,947.25	60,444.44	24,467,391.69	AA+	0.31



SAN MATEO COUNTY TREASURER'S OFFICE  
PORTFOLIO APPRAISAL  
*SAN MATEO COUNTY POOL*  
May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK	2.00	04-29-24	07-29-23	100	25,000,000	100.00	25,000,000.00	98.46	24,615,728.25	44,444.44	24,660,172.69	AA+	0.31
FEDERAL HOME LOAN BANK	4.62	05-08-24			10,000,000	99.97	9,997,300.00	99.51	9,951,398.80	29,548.61	9,980,947.41	AA+	0.13
FEDERAL HOME LOAN BANK	4.62	05-08-24			12,500,000	99.89	12,485,875.00	99.51	12,439,248.50	36,935.76	12,476,184.26	AA+	0.16
FEDERAL HOME LOAN BANK	4.75	05-17-24			25,000,000	99.97	24,992,250.00	99.67	24,916,957.50	46,180.56	24,963,138.06	AA+	0.31
FEDERAL HOME LOAN BANK	5.12	05-22-24	06-22-23	100	25,000,000	100.00	25,000,000.00	99.42	24,853,865.25	32,000.00	24,885,865.25	AA+	0.31
FEDERAL HOME LOAN BANK	4.87	05-22-24			4,350,000	99.87	4,344,459.19	99.77	4,340,144.73	5,301.56	4,345,446.29	AA+	0.05
FEDERAL HOME LOAN BANK	4.72	06-07-24			15,000,000	100.00	15,000,000.00	99.66	14,948,659.05	342,200.00	15,290,859.05	AA+	0.19
FEDERAL HOME LOAN BANK	2.87	06-14-24			5,000,000	104.25	5,212,300.00	97.75	4,887,583.60	66,684.03	4,954,267.63	AA+	0.06
FEDERAL HOME LOAN BANK	2.81	06-14-24	06-14-23	100	25,000,000	100.00	25,000,000.00	97.39	24,348,382.00	325,881.94	24,674,263.94	AA+	0.31
FEDERAL HOME LOAN BANK	4.50	06-14-24			25,000,000	99.80	24,949,125.00	99.53	24,882,276.75	521,875.00	25,404,151.75	AA+	0.31
FEDERAL HOME LOAN BANK	4.87	06-14-24			10,000,000	100.06	10,006,156.82	99.57	9,956,856.00	226,145.83	10,183,001.83	AA+	0.13
FEDERAL HOME LOAN BANK	4.87	06-14-24			20,000,000	101.36	20,271,908.33	99.57	19,913,712.00	452,291.67	20,366,003.67	AA+	0.25
FEDERAL HOME LOAN MORTGAGE CORP	5.25	06-20-24	06-20-23	100	25,000,000	100.00	25,000,000.00	99.41	24,852,026.25	586,979.17	25,439,005.42	AA+	0.31
FEDERAL HOME LOAN BANK	5.25	06-21-24	06-21-23	100	25,000,000	100.00	25,000,000.00	99.45	24,861,259.00	583,333.33	25,444,592.33	AA+	0.31
FEDERAL HOME LOAN BANK	4.55	06-26-24			25,000,000	100.00	25,000,000.00	99.46	24,864,174.00	489,756.94	25,353,930.94	AA+	0.31
FEDERAL HOME LOAN BANK	2.75	06-28-24			14,165,000	96.77	13,706,782.96	97.61	13,825,802.36	165,553.44	13,991,355.80	AA+	0.17
FEDERAL HOME LOAN BANK	4.55	07-19-24			25,000,000	100.00	25,000,000.00	99.48	24,869,365.25	417,083.33	25,286,448.58	AA+	0.31
FEDERAL HOME LOAN BANK	4.60	07-19-24			25,000,000	100.00	25,000,000.00	99.63	24,907,773.75	421,666.67	25,329,440.42	AA+	0.31
FEDERAL HOME LOAN BANK	4.67	07-22-24			25,000,000	100.00	25,000,000.00	99.60	24,900,207.25	418,354.17	25,318,561.42	AA+	0.31
FEDERAL HOME LOAN BANK	4.50	07-24-24			25,000,000	100.00	25,000,000.00	99.59	24,898,581.50	396,875.00	25,295,456.50	AA+	0.31
FEDERAL HOME LOAN BANK	4.45	08-15-24			25,000,000	100.00	25,000,000.00	99.52	24,879,223.50	327,569.44	25,206,792.94	AA+	0.31
FEDERAL HOME LOAN BANK	2.87	09-13-24			4,000,000	109.63	4,385,200.00	97.61	3,904,560.92	24,916.67	3,929,477.59	AA+	0.05
FEDERAL HOME LOAN BANK	4.87	09-13-24			15,000,000	100.34	15,051,150.00	99.88	14,982,147.30	158,437.50	15,140,584.80	AA+	0.19
FEDERAL HOME LOAN BANK	4.87	09-13-24			25,000,000	99.70	24,924,300.00	99.88	24,970,245.50	264,062.50	25,234,308.00	AA+	0.31
FEDERAL HOME LOAN BANK	4.87	09-13-24			25,000,000	100.76	25,189,375.00	99.88	24,970,245.50	264,062.50	25,234,308.00	AA+	0.31
FEDERAL HOME LOAN BANK	0.42	09-17-24	06-17-23	100	33,000,000	94.22	31,092,050.00	93.92	30,993,235.68	28,490.00	31,021,725.68	AA+	0.39
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.25	09-23-24	06-23-23	100	25,000,000	100.00	25,000,000.00	99.29	24,822,590.50	576,041.67	25,398,632.17	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.62	10-15-24			15,900,000	99.83	15,872,811.00	95.82	15,234,622.84	33,014.58	15,267,637.43	AA+	0.19
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.62	10-15-24			12,300,000	103.37	12,714,141.00	95.82	11,785,274.27	25,539.58	11,810,813.86	AA+	0.15
FEDERAL HOME LOAN BANK	5.05	10-21-24	07-21-23	100	25,000,000	100.00	25,000,000.00	99.14	24,785,309.25	140,277.78	24,925,587.03	AA+	0.31
FEDERAL HOME LOAN BANK	4.50	10-25-24	07-25-23	100	25,000,000	100.00	25,000,000.00	99.32	24,831,155.50	112,500.00	24,943,655.50	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	4.65	11-15-24	11-15-23	100	25,000,000	99.95	24,987,500.00	99.21	24,803,104.25	51,666.67	24,854,770.92	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.25	11-22-24	11-22-23	100	25,000,000	100.00	25,000,000.00	99.25	24,811,618.25	32,812.50	24,844,430.75	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.10	11-29-24	11-29-23	100	25,000,000	100.00	25,000,000.00	99.22	24,805,275.00	7,083.33	24,812,358.33	AA+	0.31
FEDERAL FARM CREDIT BANK	4.62	12-05-24			10,000,000	99.93	9,992,630.00	99.79	9,979,376.50	226,111.11	10,205,487.61	AA+	0.13
FEDERAL FARM CREDIT BANK	4.62	12-05-24			10,000,000	100.32	10,032,454.17	99.79	9,979,376.50	226,111.11	10,205,487.61	AA+	0.13
FEDERAL HOME LOAN BANK	0.62	12-09-24	06-09-23	100	14,420,000	93.80	13,525,511.38	93.39	13,466,367.33	42,715.24	13,509,082.58	AA+	0.17
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.62	01-07-25			34,900,000	99.68	34,788,669.00	95.32	33,265,642.07	226,850.00	33,492,492.07	AA+	0.42
FEDERAL HOME LOAN MORTGAGE CORP	5.20	01-10-25	07-10-23	100	25,000,000	100.00	25,000,000.00	99.10	24,775,922.50	509,166.67	25,285,089.17	AA+	0.31
FEDERAL HOME LOAN BANK	5.12	01-24-25	07-24-23	100	25,000,000	100.00	25,000,000.00	99.06	24,764,020.25	131,684.03	24,895,704.28	AA+	0.31
FEDERAL HOME LOAN BANK	4.90	01-30-25	01-30-24	100	25,000,000	100.00	25,000,000.00	98.86	24,714,903.00	408,333.33	25,123,236.33	AA+	0.31
FEDERAL HOME LOAN BANK	4.31	02-10-25			25,000,000	100.00	25,000,000.00	99.69	24,921,685.25	332,229.17	25,253,914.42	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	1.50	02-12-25			41,535,000	99.92	41,503,018.05	94.98	39,448,690.30	188,638.12	39,637,328.43	AA+	0.50
FEDERAL FARM CREDIT BANK	1.75	02-14-25			17,305,000	99.73	17,258,795.65	95.29	16,490,287.52	90,010.03	16,580,297.56	AA+	0.21
FEDERAL FARM CREDIT BANK	1.75	02-14-25			6,809,000	96.02	6,537,744.57	95.29	6,488,435.00	35,416.26	6,523,851.26	AA+	0.08
FEDERAL FARM CREDIT BANK	4.00	03-10-25			25,000,000	99.97	24,991,500.00	99.00	24,749,660.75	225,000.00	24,974,660.75	AA+	0.31
FEDERAL HOME LOAN BANK	2.37	03-14-25			18,800,000	106.96	20,109,420.00	95.68	17,987,619.10	95,501.39	18,083,120.49	AA+	0.23
FEDERAL HOME LOAN BANK	4.62	03-14-25			20,000,000	101.94	20,388,502.78	99.98	19,995,835.00	197,847.22	20,193,682.22	AA+	0.25
FEDERAL HOME LOAN MORTGAGE CORP	5.82	03-20-25	06-20-23	100	25,000,000	100.00	25,000,000.00	99.57	24,891,570.25	286,958.33	25,178,528.58	AA+	0.31
FEDERAL FARM CREDIT BANK	4.00	03-28-25			25,000,000	99.57	24,893,650.00	98.72	24,681,240.00	175,000.00	24,856,240.00	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.62	04-22-25			25,000,000	101.13	25,283,250.00	93.02	23,255,084.50	16,927.08	23,272,011.58	AA+	0.29
FEDERAL FARM CREDIT BANK	4.00	05-09-25			10,000,000	99.98	9,998,000.00	98.94	9,893,880.80	24,444.44	9,918,325.24	AA+	0.12
FEDERAL HOME LOAN MORTGAGE CORP	5.25	05-16-25	08-16-23	100	26,709,000	100.00	26,709,000.00	99.14	26,478,247.86	58,425.94	26,536,673.80	AA+	0.33

SAN MATEO COUNTY TREASURER'S OFFICE  
PORTFOLIO APPRAISAL  
*SAN MATEO COUNTY POOL*  
May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL FARM CREDIT BANK	4.25	06-13-25			25,000,000	100.00	25,000,000.00	99.45	24,862,902.00	495,833.33	25,358,735.33	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			24,800,000	99.79	24,748,664.00	92.36	22,904,146.89	56,488.89	22,960,635.78	AA+	0.29
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			18,400,000	100.50	18,492,920.00	92.36	16,993,399.30	41,911.11	17,035,310.42	AA+	0.21
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			5,000,000	92.90	4,644,947.22	92.36	4,617,771.55	11,388.89	4,629,160.44	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			5,000,000	92.76	4,638,086.11	92.36	4,617,771.55	11,388.89	4,629,160.44	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			25,000,000	92.80	23,200,305.56	92.36	23,088,857.75	56,944.44	23,145,802.19	AA+	0.29
FEDERAL HOME LOAN BANK	3.30	06-30-25	06-30-23	100	7,000,000	99.85	6,989,500.00	96.83	6,777,833.09	96,250.00	6,874,083.09	AA+	0.09
FEDERAL HOME LOAN BANK	6.00	06-30-25	06-30-23	100	14,400,000	100.00	14,400,000.00	99.72	14,359,120.99	360,000.00	14,719,120.99	AA+	0.18
FEDERAL HOME LOAN MORTGAGE CORP	0.37	07-21-25			15,135,000	99.50	15,059,627.70	91.71	13,880,353.90	20,495.31	13,900,849.22	AA+	0.17
FEDERAL HOME LOAN MORTGAGE CORP	0.37	07-21-25			5,000,000	99.62	4,981,100.00	91.71	4,585,515.00	6,770.83	4,592,285.83	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORP	0.37	07-21-25			10,000,000	99.52	9,951,600.00	91.71	9,171,030.00	13,541.67	9,184,571.67	AA+	0.12
FEDERAL FARM CREDIT BANK	4.25	07-24-25			20,000,000	99.93	19,986,200.00	99.60	19,919,060.20	299,861.11	20,218,921.31	AA+	0.25
FEDERAL FARM CREDIT BANK	4.25	07-24-25			25,000,000	99.94	24,985,250.00	99.60	24,898,825.25	374,826.39	25,273,651.64	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.37	08-25-25			47,475,000	99.53	47,252,817.00	91.47	43,426,161.56	47,475.00	43,473,636.56	AA+	0.55
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.37	08-25-25			7,000,000	91.95	6,436,701.25	91.47	6,403,014.87	7,000.00	6,410,014.87	AA+	0.08
FEDERAL HOME LOAN BANK	4.00	08-28-25	08-28-23	100	25,000,000	99.48	24,870,341.67	97.72	24,429,564.00	258,333.33	24,687,897.33	AA+	0.31
FEDERAL HOME LOAN BANK	0.37	09-04-25			5,140,000	99.70	5,124,580.00	91.50	4,703,230.25	4,658.12	4,707,888.37	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORP	5.12	09-19-25	09-19-23	100	25,000,000	100.00	25,000,000.00	99.54	24,884,201.75	256,250.00	25,140,451.75	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	0.37	09-23-25			46,035,000	99.70	45,896,434.65	91.28	42,021,291.21	33,087.66	42,054,378.87	AA+	0.53
FEDERAL HOME LOAN MORTGAGE CORP	0.37	09-23-25			10,200,000	99.70	10,169,400.00	91.28	9,310,680.36	7,331.25	9,318,011.61	AA+	0.12
FEDERAL HOME LOAN MORTGAGE CORP	0.37	09-23-25			25,000,000	99.71	24,927,500.00	91.28	22,820,295.00	17,968.75	22,838,263.75	AA+	0.29
FEDERAL HOME LOAN MORTGAGE CORP	0.60	10-20-25			25,000,000	90.00	22,500,525.00	90.92	22,730,997.50	17,083.33	22,748,080.83	AA+	0.29
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	11-07-25			18,015,000	99.64	17,950,506.30	91.22	16,432,814.97	6,005.00	16,438,819.97	AA+	0.21
FEDERAL HOME LOAN MORTGAGE CORP	5.50	12-16-25	06-16-23	100	13,827,000	100.24	13,860,724.05	99.27	13,725,907.21	348,555.62	14,074,462.83	AA+	0.17
FEDERAL HOME LOAN BANK	5.50	01-27-26	06-27-23	100	25,000,000	100.00	25,000,000.00	99.23	24,808,053.00	473,611.11	25,281,664.11	AA+	0.31
FEDERAL HOME LOAN BANK	5.20	01-27-26	07-27-23	100	16,950,000	100.00	16,950,000.00	98.96	16,773,985.95	303,593.33	17,077,579.28	AA+	0.21
FEDERAL HOME LOAN BANK	0.68	02-24-26	08-24-23	100	10,000,000	91.14	9,113,755.56	89.90	8,990,109.80	18,322.22	9,008,432.02	AA+	0.11
FEDERAL FARM CREDIT BANK	4.50	03-02-26			25,000,000	101.44	25,359,500.00	100.65	25,163,292.25	278,125.00	25,441,417.25	AA+	0.32
FEDERAL FARM CREDIT BANK	3.87	03-30-26			25,000,000	99.38	24,845,000.00	98.90	24,724,803.50	161,458.33	24,886,261.83	AA+	0.31
FEDERAL FARM CREDIT BANK	5.50	05-14-26	11-14-23	100	25,000,000	100.00	25,000,000.00	99.22	24,804,808.75	64,930.56	24,869,739.31	AA+	0.31
FEDERAL FARM CREDIT BANK	4.00	05-26-26			6,195,000	99.86	6,186,332.10	99.67	6,174,829.58	3,441.67	6,178,271.24	AA+	0.08
FEDERAL HOME LOAN BANK	4.00	06-12-26			6,320,000	99.83	6,309,104.50	99.69	6,300,642.72	0.00	6,300,642.72	AA+	0.08
FEDERAL HOME LOAN MORTGAGE CORP	5.00	06-18-26	06-20-24	100	25,000,000	100.00	25,000,000.00	98.92	24,730,703.75	559,027.78	25,289,731.53	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	4.65	07-30-26	07-30-24	100	25,000,000	100.00	25,000,000.00	98.56	24,640,017.25	387,500.00	25,027,517.25	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.10	09-14-26	09-14-23	100	25,000,000	100.00	25,000,000.00	99.41	24,852,222.75	272,708.33	25,124,931.08	AA+	0.31
FEDERAL FARM CREDIT BANK	5.18	10-13-26	07-13-23	100	28,000,000	100.00	28,000,000.00	98.73	27,644,386.56	193,386.67	27,837,773.23	AA+	0.35
FEDERAL HOME LOAN BANK	1.25	10-26-26	07-26-23	100	25,000,000	91.35	22,836,500.00	89.75	22,438,299.25	30,381.94	22,468,681.19	AA+	0.28
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-27-26	07-27-23	100	12,650,000	86.91	10,994,115.00	88.37	11,178,781.47	9,557.78	11,188,339.25	AA+	0.14
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-27-26	07-27-23	100	5,000,000	87.68	4,383,950.00	88.37	4,418,490.70	3,777.78	4,422,268.48	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-27-26	07-27-23	100	20,000,000	89.00	17,800,400.00	88.37	17,673,962.80	15,111.11	17,689,073.91	AA+	0.22
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-28-26			22,767,000	88.78	20,212,770.27	88.36	20,117,478.31	16,695.80	20,134,174.11	AA+	0.25
FEDERAL HOME LOAN MORTGAGE CORP	0.63	12-14-26	12-14-23	100	10,000,000	88.31	8,831,297.22	87.28	8,727,525.70	29,456.94	8,756,982.64	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.87	12-18-26	06-18-23	100	8,700,000	88.50	7,699,901.41	88.01	7,657,033.21	34,467.71	7,691,500.92	AA+	0.10
FEDERAL HOME LOAN BANK	5.45	12-21-26	07-21-23	100	3,890,000	100.00	3,890,000.00	98.92	3,848,176.28	23,556.11	3,871,732.39	AA+	0.05
FEDERAL FARM CREDIT BANK	0.70	01-27-27	06-10-23	100	10,000,000	88.95	8,894,616.67	87.53	8,752,615.30	24,111.11	8,776,726.41	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.20	06-01-27	06-01-23	100	25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	650,000.00	25,650,000.00	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.00	06-28-27	06-28-24	100	25,000,000	100.00	25,000,000.00	98.64	24,659,688.75	531,250.00	25,190,938.75	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	4.75	07-12-27	07-12-24	100	25,000,000	100.00	25,000,000.00	98.35	24,587,368.75	458,506.94	25,045,875.69	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.12	11-22-27	11-22-24	100	50,000,000	100.00	50,000,000.00	99.30	49,648,626.50	64,062.50	49,712,689.00	AA+	0.62
FEDERAL HOME LOAN BANK	5.40	12-15-27	12-15-23	100	25,000,000	100.00	25,000,000.00	98.88	24,720,109.75	622,500.00	25,342,609.75	AA+	0.31
FEDERAL HOME LOAN BANK	6.00	12-16-27	06-16-23	100	25,000,000	100.00	25,000,000.00	99.45	24,861,853.25	312,500.00	25,174,353.25	AA+	0.31
FEDERAL HOME LOAN BANK	4.55	12-27-27	12-27-24	100	25,000,000	100.00	25,000,000.00	98.23	24,557,707.25	486,597.22	25,044,304.47	AA+	0.31
FEDERAL HOME LOAN BANK	5.00	12-27-27	06-27-24	100	25,000,000	100.00	25,000,000.00	98.55	24,638,024.25	534,722.22	25,172,746.47	AA+	0.31

SAN MATEO COUNTY TREASURER'S OFFICE  
PORTFOLIO APPRAISAL  
*SAN MATEO COUNTY POOL*  
May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN MORTGAGE CORP	5.05	12-27-27	09-27-23	100	25,000,000	100.00	25,000,000.00	99.51	24,876,673.50	540,069.44	25,416,742.94	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.35	01-06-28	07-06-23	100	25,000,000	100.00	25,000,000.00	98.76	24,689,188.75	538,715.28	25,227,904.03	AA+	0.31
FEDERAL HOME LOAN BANK	5.35	01-12-28	01-12-24	100	25,000,000	100.00	25,000,000.00	98.79	24,698,507.75	516,423.61	25,214,931.36	AA+	0.31
FEDERAL FARM CREDIT BANK	5.14	01-18-28	01-18-24	100	25,000,000	100.00	25,000,000.00	98.46	24,614,798.75	474,736.11	25,089,534.86	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.00	02-07-28	02-07-24	100	25,000,000	100.00	25,000,000.00	98.34	24,586,147.25	395,833.33	24,981,980.58	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.02	02-16-28	02-16-24	100	10,000,000	100.00	10,000,000.00	98.32	9,831,788.90	146,416.67	9,978,205.57	AA+	0.12
FEDERAL HOME LOAN MORTGAGE CORP	5.02	02-16-28	02-16-24	100	25,000,000	100.00	25,000,000.00	98.32	24,579,472.25	366,041.67	24,945,513.92	AA+	0.31
FEDERAL HOME LOAN BANK	6.00	03-16-28	06-16-23	100	25,000,000	100.00	25,000,000.00	99.34	24,835,963.75	312,500.00	25,148,463.75	AA+	0.31
FEDERAL HOME LOAN BANK	5.70	03-27-28	06-27-24	100	25,000,000	100.00	25,000,000.00	99.69	24,921,511.00	253,333.33	25,174,844.33	AA+	0.31
FEDERAL HOME LOAN BANK	6.10	03-28-28	06-28-23	100	9,500,000	100.16	9,514,843.75	99.47	9,449,660.54	101,412.50	9,551,073.04	AA+	0.12
FEDERAL HOME LONA BANK	6.05	04-03-28	07-03-23	100	25,000,000	100.00	25,000,000.00	99.19	24,796,609.00	243,680.56	25,040,289.56	AA+	0.31
FEDERAL HOME LOAN BANK	5.00	04-12-28	07-12-24	100	25,000,000	100.00	25,000,000.00	98.10	24,526,045.00	170,138.89	24,696,183.89	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.10	04-17-28	04-17-24	100	25,000,000	100.00	25,000,000.00	98.02	24,504,139.75	155,833.33	24,659,973.08	AA+	0.31
FEDEAL HOME LOAN MORTGAGE CORP	5.12	04-24-28	01-24-24	100	25,000,000	100.00	25,000,000.00	98.00	24,498,893.25	131,684.03	24,630,577.28	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.10	04-24-28	04-24-24	100	25,000,000	100.00	25,000,000.00	98.02	24,504,806.50	131,041.67	24,635,848.17	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	5.35	04-28-28	07-28-23	100	25,000,000	100.00	25,000,000.00	98.34	24,585,538.25	0.00	24,585,538.25	AA+	0.31
					4,280,886,000		4,242,251,045.50		4,198,416,103.24	34,350,704.09	4,232,766,807.33		52.78
<b>US INSTRUMENTALITIES</b>													
INTERNATIONAL BANK RECON & DEVELOP	1.87	06-19-23			20,000,000	98.88	19,777,000.00	99.83	19,966,910.60	168,750.00	20,135,660.60	AAA	0.25
INTERNATIONAL BANK RECON & DEVELOP DN	0.00	06-30-23			30,000,000	98.98	29,694,500.10	99.65	29,893,814.10	0.00	29,893,814.10	AAA	0.38
INTERNATIONAL FINANCE CORP	2.87	07-31-23			25,000,000	98.75	24,688,500.00	99.57	24,892,386.25	239,166.67	25,131,552.92	AAA	0.31
INTERNATIONAL FINANCE CORP DISCOUNT NOTE	0.00	08-28-23			25,000,000	98.21	24,553,583.33	98.78	24,695,277.00	0.00	24,695,277.00	AAA	0.31
INTERNATIONAL BANK RECON & DEVELOP	2.32	09-27-23			10,956,000	99.56	10,907,355.36	99.18	10,866,379.92	1,189,699.87	12,056,079.79	AAA	0.14
INTERNATIONAL BANK RECON & DEVELOP	0.25	11-24-23			17,625,000	99.78	17,587,106.25	97.56	17,194,656.37	856.77	17,195,513.14	AAA	0.22
INTER-AMERICAN DEVELOPMENT BANK	3.00	02-21-24			25,000,000	99.00	24,751,000.00	98.31	24,578,549.50	208,333.33	24,786,882.83	AAA	0.31
INTERNATIONAL BANK RECON & DEVELOP	2.50	03-19-24			10,000,000	107.39	10,739,200.00	97.86	9,785,800.00	50,000.00	9,835,800.00	AAA	0.12
INTER-AMERICAN DEVELOPMENT BANK	0.50	09-23-24			24,390,000	99.93	24,371,951.40	94.46	23,038,794.00	23,035.00	23,061,829.00	AAA	0.29
INTERNATIONAL BANK RECON & DEVELOP	1.62	01-15-25			15,000,000	99.77	14,965,500.00	95.28	14,291,799.45	92,083.33	14,383,882.78	AAA	0.18
INTER-AMERICAN DEVELOPMENT BANK	1.75	03-14-25			25,000,000	105.37	26,342,750.00	95.16	23,789,750.00	93,576.39	23,883,326.39	AAA	0.30
INTERNATIONAL BANK RECON & DEVELOP	0.37	07-28-25			25,000,000	99.83	24,956,750.00	92.00	22,999,504.00	32,031.25	23,031,535.25	AAA	0.29
INTERNATIONAL BANK RECON & DEVELOP	0.50	10-28-25			20,000,000	100.11	20,023,000.00	91.51	18,302,590.80	9,166.67	18,311,757.47	AAA	0.23
INTER-AMERICAN DEVELOPMENT BANK	1.50	01-13-27			15,000,000	99.69	14,954,100.00	91.43	13,715,038.05	75,000.00	13,790,038.05	AAA	0.17
INTER-AMERICAN DEVELOPMENT BANK	1.50	01-13-27			4,650,000	99.67	4,634,887.50	91.43	4,251,661.80	23,250.00	4,274,911.80	AAA	0.05
					292,621,000		292,947,183.94		282,262,911.83	2,204,949.28	284,467,861.11		3.55
<b>CORPORATE BONDS</b>													
UNITED HEALTH GROUP INC	3.50	06-15-23			4,700,000	104.79	4,925,177.00	99.93	4,696,886.86	75,852.78	4,772,739.64	A+	0.06
PACCAR FINANCIAL CORP.	0.35	08-11-23			4,845,000	99.87	4,838,653.05	98.99	4,796,196.70	5,181.46	4,801,378.16	A+	0.06
TOYOTA MOTOR CREDIT CORP.	0.50	08-14-23			20,320,000	99.92	20,304,353.60	99.02	20,120,429.76	30,197.78	20,150,627.54	A+	0.25
UNILEVER CAPITAL CORP	0.37	09-14-23	06-01-23	100	3,130,000	99.87	3,125,993.60	98.60	3,086,079.81	2,510.52	3,088,590.33	A+	0.04
PEPSICO INC	0.40	10-07-23			5,150,000	99.94	5,147,064.50	98.21	5,057,609.57	3,090.00	5,060,699.57	A+	0.06
TOYOTA MOTOR CREDIT CORP	2.25	10-18-23			10,000,000	101.59	10,159,400.00	98.70	9,869,803.40	26,875.00	9,896,678.40	A+	0.12
ABBOTT LABORATORIES (A)	3.40	11-30-23			10,000,000	108.15	10,815,300.00	98.88	9,887,951.80	0.00	9,887,951.80	AA-	0.12
JOHN DEERE CAPITAL CORP	0.45	01-17-24			19,895,000	99.93	19,880,874.55	97.11	19,320,342.28	33,324.12	19,353,666.40	A	0.24
CHARLES SCHWAB CORP	3.55	02-01-24	01-02-24	100	10,000,000	105.50	10,550,000.00	98.49	9,848,525.80	118,333.33	9,966,859.13	A-	0.12
BANK OF NY MELLON CORP.	3.65	02-04-24	01-05-24	100	5,000,000	106.31	5,315,650.00	98.66	4,932,888.65	59,312.50	4,992,201.15	A	0.06
NATIONAL RURAL UTIL COOP	0.35	02-08-24			12,645,000	99.93	12,636,274.95	96.61	12,215,981.70	13,891.94	12,229,873.64	A-	0.15
AMERICAN EXPRESS CO (1)	3.40	02-22-24	01-22-24	100	10,000,000	103.82	10,382,500.00	98.38	9,838,103.80	93,500.00	9,931,603.80	BBB+	0.12
CHARLES SCHWAB CORP-A	0.75	03-18-24	02-18-24	100	8,255,000	99.95	8,250,872.50	95.97	7,922,259.52	12,554.48	7,934,814.00	A-	0.10
BANK OF AMERICA CORP.	4.00	04-01-24			10,000,000	106.68	10,668,400.00	98.80	9,880,142.30	66,666.67	9,946,808.97	A-	0.12
IBM CORP.	3.00	05-15-24			5,000,000	105.66	5,282,800.00	97.68	4,883,767.60	6,666.67	4,890,434.27	A-	0.06
CATERPILLAR FINANCIAL SERVICE	2.85	05-17-24			4,785,000	102.97	4,927,018.80	97.64	4,671,912.55	5,303.37	4,677,215.93	A	0.06

SAN MATEO COUNTY TREASURER'S OFFICE  
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*SAN MATEO COUNTY POOL*  
May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
NVIDIA CORP	0.58	06-14-24			5,000,000	97.97	4,898,600.00	95.26	4,763,128.65	13,545.56	4,776,674.21	A	0.06
AMERICAN HONDA FINANCE	2.40	06-27-24			10,000,000	99.55	9,954,600.00	96.95	9,695,372.20	102,666.67	9,798,038.87	A-	0.12
GOLDMAN SACHS GROUP INC.(A)	3.85	07-08-24	04-08-24	100	9,500,000	105.49	10,021,835.00	98.36	9,343,921.27	145,284.03	9,489,205.30	BBB+	0.12
GOLDMAN SACHS GROUP INC.(A)	3.85	07-08-24	04-08-24	100	9,990,000	107.44	10,733,755.50	98.36	9,825,870.89	152,777.62	9,978,648.52	BBB+	0.12
BANK OF AMERICA CORP. (1)	3.86	07-23-24			5,000,000	105.18	5,258,950.00	99.69	4,984,674.25	68,693.33	5,053,367.58	A-	0.06
BANK OF AMERICA CORP. (1)	3.86	07-23-24			5,000,000	106.77	5,338,750.00	99.69	4,984,674.25	68,693.33	5,053,367.58	A-	0.06
US BANK	2.40	07-30-24	06-28-24	100	10,000,000	99.91	9,991,100.00	96.14	9,614,482.20	80,000.00	9,694,482.20	A	0.12
BB&T CORP. (A)	2.50	08-01-24	07-01-24	100	15,000,000	99.86	14,979,750.00	95.99	14,398,435.05	125,000.00	14,523,435.05	A-	0.18
PACCAR FINANCIAL CORP	0.50	08-09-24			5,260,000	99.95	5,257,159.60	94.71	4,981,577.10	8,182.22	4,989,759.32	A+	0.06
BMW US CAPITAL LLC	0.75	08-12-24			4,080,000	99.99	4,079,632.80	94.87	3,870,772.38	9,265.00	3,880,037.38	A	0.05
UNILEVER CAPITAL CORP-A	0.63	08-12-24	06-01-23	100	2,320,000	100.00	2,320,000.00	94.72	2,197,425.98	4,397.30	2,201,823.28	A+	0.03
PACCAR FINANCIAL CORP.	2.15	08-15-24			8,000,000	100.13	8,010,560.00	96.51	7,721,186.16	50,644.44	7,771,830.60	A+	0.10
UNITED HEALTH GROUP INC	2.37	08-15-24			5,000,000	100.47	5,023,500.00	96.88	4,844,117.20	34,965.28	4,879,082.48	A+	0.06
WALT DISNEY CO. (A)	1.75	08-30-24	07-30-24	100	9,115,000	99.59	9,077,810.80	96.01	8,751,670.81	41,207.40	8,792,878.21	BBB+	0.11
JOHN DEERE CAPITAL CORP	0.62	09-10-24			4,045,000	99.93	4,042,370.75	94.76	3,832,998.84	5,688.28	3,838,687.12	A	0.05
NESTLE HOLDINGS INC.-A	0.61	09-14-24			7,275,000	100.00	7,275,000.00	94.32	6,861,971.84	9,429.61	6,871,401.45	AA-	0.09
JP MORGAN CHASE & CO	0.65	09-16-24	08-16-24	100	7,455,000	100.00	7,455,000.00	98.50	7,342,880.45	10,141.91	7,353,022.36	A-	0.09
JP MORGAN CHASE & CO	0.65	09-16-24	08-16-24	100	8,000,000	100.04	8,003,280.00	98.50	7,879,683.92	10,883.33	7,890,567.25	A-	0.10
BANK OF NY MELLON CORP.	2.10	10-24-24			10,785,000	100.44	10,832,454.00	95.75	10,326,279.22	23,277.62	10,349,556.85	A	0.13
BANK OF NY MELLON CORP	0.85	10-25-24	09-25-24	100	8,915,000	99.93	8,909,205.25	93.76	8,358,504.21	7,577.75	8,366,081.96	A	0.11
PNC FINANCIAL SERVICES	2.20	11-01-24	10-02-24	100	5,000,000	99.97	4,998,350.00	95.23	4,761,302.45	9,166.67	4,770,469.12	A-	0.06
PNC FINANCIAL SERVICES	2.20	11-01-24	10-02-24	100	10,000,000	99.74	9,973,800.00	95.23	9,522,604.90	18,333.33	9,540,938.23	A-	0.12
CATERPILLAR FINL SERVICE	2.15	11-08-24			10,000,000	99.80	9,979,800.00	96.15	9,614,959.20	13,736.11	9,628,695.31	A	0.12
CATERPILLAR FINL SERVICE	2.15	11-08-24			25,000,000	100.22	25,055,500.00	96.15	24,037,398.00	34,340.28	24,071,738.28	A	0.30
JOHN DEERE CAPITAL CORP	2.05	01-09-25			12,000,000	100.08	12,010,080.00	95.76	11,491,772.52	97,033.33	11,588,805.85	A	0.14
JOHN DEERE CAPITAL CORP	1.25	01-10-25			5,480,000	99.95	5,477,424.40	94.49	5,178,321.56	26,829.17	5,205,150.73	A	0.07
COOPERATIEVE RABOBANK UA	5.00	01-13-25			10,000,000	99.98	9,998,500.00	99.81	9,981,479.10	191,666.67	10,173,145.77	A+	0.13
JP MORGAN CHASE & CO	3.12	01-23-25	10-23-24	100	7,500,000	106.13	7,959,975.00	97.18	7,288,149.90	83,333.33	7,371,483.23	A-	0.09
PACCAR FINANCIAL CORP	1.80	02-06-25			5,450,000	104.51	5,695,849.50	94.92	5,173,184.53	31,337.50	5,204,522.03	A+	0.07
NATIONAL RURAL UTIL COOP	1.87	02-07-25			2,875,000	100.00	2,874,913.75	95.00	2,731,372.39	17,070.31	2,748,442.70	A-	0.03
NATIONAL RURAL UTIL COOP	1.87	02-07-25			5,000,000	95.61	4,780,400.00	95.00	4,750,212.85	29,687.50	4,779,900.35	A-	0.06
TOYOTA MOTOR CREDIT CORP.	1.80	02-13-25			7,000,000	100.98	7,068,390.00	95.05	6,653,270.26	37,800.00	6,691,070.26	A+	0.08
AMERICAN EXPRESS CO	2.25	03-04-25	06-04-23	100	3,485,000	99.90	3,481,480.15	94.97	3,309,801.45	18,949.69	3,328,751.14	BBB+	0.04
ROCHE HOLDINGS INC	2.13	03-10-25	02-10-25	100	8,620,000	100.00	8,620,000.00	95.63	8,243,490.81	41,350.14	8,284,840.95	AA	0.10
EXXON MOBIL CORPORATION	2.99	03-19-25	02-19-25	100	10,000,000	109.28	10,927,700.00	96.93	9,693,466.50	59,840.00	9,753,306.50	AA-	0.12
BMW US CAPITAL LLC	3.90	04-09-25	03-09-25	100	5,000,000	109.91	5,495,700.00	98.35	4,917,325.90	28,166.67	4,945,492.57	A	0.06
AMAZON.COM INC	3.00	04-13-25			25,090,000	99.84	25,050,106.90	97.29	24,409,367.76	100,360.00	24,509,727.76	AA	0.31
HOME DEPOT INC	2.70	04-15-25	03-15-25	100	1,040,000	99.82	1,038,180.00	96.65	1,005,174.84	3,588.00	1,008,762.84	A	0.01
SUNTRUST BANKS INC (A)	4.00	05-01-25	03-01-25	100	10,000,000	113.41	11,340,800.00	96.18	9,618,270.40	33,333.33	9,651,603.73	A-	0.12
APPLE INC	3.20	05-13-25			5,000,000	111.44	5,571,950.00	97.58	4,879,002.95	8,000.00	4,887,002.95	AA+	0.06
CATERPILLAR FINL SERVICE	3.40	05-13-25			7,505,000	99.87	7,495,468.65	97.49	7,316,956.45	12,758.50	7,329,714.95	A	0.09
CATERPILLAR FINL SERVICE	3.40	05-13-25			5,000,000	99.95	4,997,700.00	97.49	4,874,721.15	8,500.00	4,883,221.15	A	0.06
GOLDMAN SACHS GROUP INC (A)	3.75	05-22-25	02-22-25	100	9,000,000	111.69	10,052,100.00	96.87	8,718,090.75	8,437.50	8,726,528.25	BBB+	0.11
BRISTOL-MYERS SQUIBB CO	3.87	08-15-25	05-15-25	100	5,393,000	114.28	6,163,336.12	97.41	5,253,101.86	61,532.63	5,314,634.49	A+	0.07
PACCAR FINANCIAL CORP	4.95	10-03-25			2,500,000	99.93	2,498,150.00	100.18	2,504,496.42	19,937.50	2,524,433.92	A+	0.03
MORGAN STANLEY	1.16	10-21-25	10-21-24	100	6,085,000	100.00	6,085,000.00	93.41	5,683,814.98	7,869.93	5,691,684.91	A-	0.07
NATIONAL AUSTRALIA BK/NY	4.97	01-12-26			16,780,000	100.00	16,780,000.00	100.37	16,842,744.28	321,744.38	17,164,488.66	AA-	0.21
CITIGROUP INC	2.01	01-25-26	01-25-25	100	4,950,000	100.00	4,950,000.00	94.07	4,656,385.26	34,892.55	4,691,277.81	BBB+	0.06
CITIGROUP INC	2.01	01-25-26	01-25-25	100	10,000,000	96.65	9,665,100.00	94.07	9,406,838.90	70,490.00	9,477,328.90	BBB+	0.12
MORGAN STANLEY	2.63	02-18-26	02-18-25	100	11,695,000	100.00	11,695,000.00	95.06	11,117,249.69	88,001.63	11,205,251.32	A-	0.14
MORGAN STANLEY	2.63	02-18-26	02-18-25	100	7,000,000	100.05	7,003,780.00	95.06	6,654,189.64	52,673.06	6,706,862.70	A-	0.08
ROCHE HOLDINGS INC	0.99	03-05-26	02-05-26	100	15,000,000	90.91	13,636,737.50	90.79	13,618,442.10	35,510.83	13,653,952.93	AA	0.17
BANK OF AMERICA CORP	3.50	04-19-26			6,000,000	97.22	5,833,000.00	96.36	5,781,831.90	24,500.00	5,806,331.90	A-	0.07

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
 May 31, 2023

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
AMAZON.COM INC	1.00	05-12-26	04-12-26	100	10,000,000	88.95	8,895,200.00	90.71	9,070,850.00	5,277.78	9,076,127.78	AA	0.11
ASTRAZENECA FINANCE LLC	1.20	05-28-26			4,500,000	100.71	4,532,040.00	90.57	4,075,569.31	450.00	4,076,019.31	A	0.05
TOYOTA MOTOR CREDIT CORP	1.12	06-18-26			5,815,000	99.78	5,802,090.70	90.03	5,235,114.30	29,620.16	5,264,734.46	A+	0.07
MICROSOFT CORP	2.40	08-08-26	05-08-26	100	10,000,000	94.11	9,411,100.00	94.81	9,481,185.20	75,333.33	9,556,518.53	AAA	0.12
BANK OF NY MELLON CORP	2.45	08-17-26	05-17-26	100	5,000,000	104.40	5,219,850.00	92.53	4,626,748.40	35,388.89	4,662,137.29	A	0.06
AMERICAN HONDA FINANCE	1.30	09-09-26			4,200,000	96.77	4,064,466.00	89.59	3,762,811.37	12,436.67	3,775,248.04	A-	0.05
JP MORGAN CHASE & CO	2.95	10-01-26	07-01-26	100	5,000,000	105.75	5,287,700.00	94.28	4,714,076.30	24,583.33	4,738,659.63	A-	0.06
JP MORGAN CHASE & CO	2.95	10-01-26	07-01-26	100	5,000,000	105.74	5,287,250.00	94.28	4,714,076.30	24,583.33	4,738,659.63	A-	0.06
JP MORGAN CHASE & CO	2.95	10-01-26	07-01-26	100	10,000,000	93.45	9,344,700.00	94.28	9,428,152.60	49,166.67	9,477,319.27	A-	0.12
CITIGROUP INC	3.20	10-21-26	07-21-26	100	10,000,000	92.89	9,289,100.00	93.94	9,394,273.20	35,555.56	9,429,828.76	BBB+	0.12
HONEYWELL INTERNATIONAL	2.50	11-01-26	08-01-26	100	4,473,000	93.43	4,179,213.36	94.32	4,219,150.67	9,318.75	4,228,469.42	A	0.05
AMERICAN EXPRESS CO	1.65	11-04-26	10-04-26	100	5,000,000	99.29	4,964,450.00	89.56	4,477,752.85	6,187.50	4,483,940.35	BBB+	0.06
AMERICAN EXPRESS CO	1.65	11-04-26	10-04-26	100	10,000,000	94.49	9,449,300.00	89.56	8,955,505.70	12,375.00	8,967,880.70	BBB+	0.11
TARGET CORP	1.95	01-15-27	12-15-26	100	1,770,000	99.83	1,766,991.00	92.17	1,631,391.02	13,039.00	1,644,430.02	A	0.02
TARGET CORP	1.95	01-15-27	12-15-26	100	13,700,000	100.23	13,731,373.00	92.17	12,627,150.81	100,923.33	12,728,074.14	A	0.16
BANK OF NY MELLON CORP	2.05	01-26-27			10,000,000	100.12	10,012,100.00	90.47	9,046,598.00	71,180.56	9,117,778.56	A	0.11
GOLDMAN SACHS GROUP INC	3.85	01-26-27	01-26-26	100	9,500,000	96.43	9,160,470.00	96.05	9,124,845.19	126,996.53	9,251,841.72	BBB+	0.11
JP MORGAN CHASE & CO	1.04	02-04-27	02-04-26	100	5,000,000	89.02	4,451,200.00	89.44	4,472,164.25	16,900.00	4,489,064.25	A-	0.06
IBM CORP	2.20	02-09-27	01-09-27	100	5,000,000	98.63	4,931,400.00	91.86	4,592,850.55	34,222.22	4,627,072.77	A-	0.06
IBM CORP	2.20	02-09-27	01-09-27	100	5,000,000	90.58	4,528,950.00	91.86	4,592,850.55	34,222.22	4,627,072.77	A-	0.06
HONEYWELL INTERNATIONAL	1.10	03-01-27			10,000,000	95.31	9,531,400.00	89.02	8,902,042.90	27,500.00	8,929,542.90	A	0.11
HONEYWELL INTERNATIONAL	1.10	03-01-27			18,000,000	89.76	16,156,800.00	89.02	16,023,677.22	49,500.00	16,073,177.22	A	0.20
TRUIST FINANCIAL CORP	1.27	03-02-27			10,000,000	93.96	9,396,000.00	88.57	8,856,539.50	31,323.06	8,887,862.56	A-	0.11
COMCAST CORP	3.30	04-01-27			10,000,000	100.83	10,083,300.00	95.37	9,537,286.30	55,000.00	9,592,286.30	A-	0.12
AMAZON.COM INC	3.30	04-13-27	03-13-27	100	10,000,000	98.95	9,895,400.00	96.40	9,639,851.30	44,000.00	9,683,851.30	AA	0.12
NORTHERN TRUST CORP	4.00	05-10-27	04-10-27	100	12,311,000	101.42	12,485,816.20	97.28	11,976,581.66	28,725.67	12,005,307.32	A+	0.15
UNITED HEALTH GROUP INC	3.70	05-15-27	04-15-27	100	300,000	99.95	299,838.00	97.63	292,890.41	493.33	293,383.74	A+	0.00
IBM CORP	4.15	07-27-27	06-27-27	100	10,000,000	97.84	9,783,900.00	98.31	9,830,767.50	142,944.44	9,973,711.94	A-	0.12
IBM CORP	3.75	08-05-27	07-05-27	100	4,325,000	99.98	4,324,178.25	96.67	4,181,189.68	52,260.42	4,233,450.10	A	0.05
HOME DEPOT INC	2.80	09-14-27	06-14-27	100	5,000,000	93.30	4,665,100.00	93.94	4,697,089.85	29,944.44	4,727,034.29	A	0.06
BANK OF AMERICA CORP	3.25	10-21-27	10-21-26	100	6,000,000	94.33	5,660,017.33	93.58	5,614,758.54	21,653.33	5,636,411.87	A-	0.07
TEXAS INSTRUMENT INC	2.90	11-03-27	08-03-27	100	10,000,000	93.49	9,349,400.00	94.40	9,439,730.70	22,555.56	9,462,286.26	A+	0.12
COMCAST CORP	5.35	11-15-27	10-15-27	100	4,860,000	102.23	4,968,475.20	102.90	5,000,920.46	11,556.00	5,012,476.46	A-	0.06
COMCAST CORP	5.35	11-15-27	10-15-27	100	5,000,000	102.65	5,132,700.00	102.90	5,144,979.90	11,888.89	5,156,868.79	A-	0.06
UNITED PARCEL SERVICE	3.05	11-15-27	08-15-27	100	10,000,000	93.64	9,363,600.00	94.96	9,495,545.50	13,555.56	9,509,101.06	A	0.12
STATE STREET CORP	1.68	11-18-27	11-18-26	100	15,000,000	89.42	13,412,700.00	89.34	13,401,633.30	9,121.67	13,410,754.97	A	0.17
TOYOTA MOTOR CREDIT CORP	4.62	01-12-28			10,000,000	100.97	10,097,476.39	100.16	10,016,328.10	178,576.39	10,194,904.49	A+	0.13
JOHN DEERE CAPITAL CORP	4.75	01-20-28			5,000,000	101.90	5,095,013.89	101.03	5,051,670.80	86,423.61	5,138,094.41	A	0.06
HONEYWELL INTERNATIONAL	4.95	02-15-28	01-15-28	100	10,000,000	103.61	10,361,025.00	102.41	10,240,619.40	145,750.00	10,386,369.40	A	0.13
NESTLE HOLDINGS INC	5.00	03-14-28	02-14-28	100	10,000,000	102.63	10,263,444.44	102.45	10,245,072.50	106,944.44	10,352,016.94	AA-	0.13
NATIONAL RURAL UTIL COOP	4.80	03-15-28	02-15-28	100	10,000,000	100.39	10,038,633.33	100.24	10,023,905.50	101,333.33	10,125,238.83	A-	0.13
WALMART INC	3.90	04-15-28	03-15-28	100	18,000,000	99.53	17,915,250.00	98.94	17,809,025.76	89,700.00	17,898,725.76	AA	0.22
BANK OF AMERICA CORP	4.38	04-27-28	04-27-27	100	10,000,000	96.35	9,635,328.89	96.72	9,672,280.00	41,328.89	9,713,608.89	A-	0.12
BANK OF NEW YORK MELLON CORP	3.85	04-28-28			10,000,000	97.16	9,715,766.67	96.13	9,613,297.50	35,291.67	9,648,589.17	A	0.12
APPLE INC	4.00	05-10-28	04-10-28	100	25,000,000	99.81	24,951,750.00	99.73	24,933,292.25	58,333.33	24,991,625.58	A	0.31
AMAZON.COM INC	1.65	05-12-28	03-12-28	100	17,000,000	88.63	15,066,391.67	88.21	14,996,097.63	14,804.17	15,010,901.80	AA	0.19
					978,667,000		974,885,567.54		938,177,491.39	5,284,620.87	943,462,112.25		11.79
<b>MONEY MARKET FUNDS</b>													
DREYFUS-143795	0.00	06-01-23			578,175	100.00	578,174.85	100.00	578,174.85	0.07	578,174.92	AAA	0.01
DREYFUS-713762	0.00	06-01-23			52,763,278	100.00	52,763,277.82	100.00	52,763,277.82	6.03	52,763,283.85	AAA	0.66
DREYFUS-715757	0.00	06-01-23			1,891,084	100.00	1,891,083.85	100.00	1,891,083.85	0.22	1,891,084.07	AAA	0.02
					55,232,537		55,232,536.52		55,232,536.52	6.31	55,232,542.84		0.69

SAN MATEO COUNTY TREASURER'S OFFICE  
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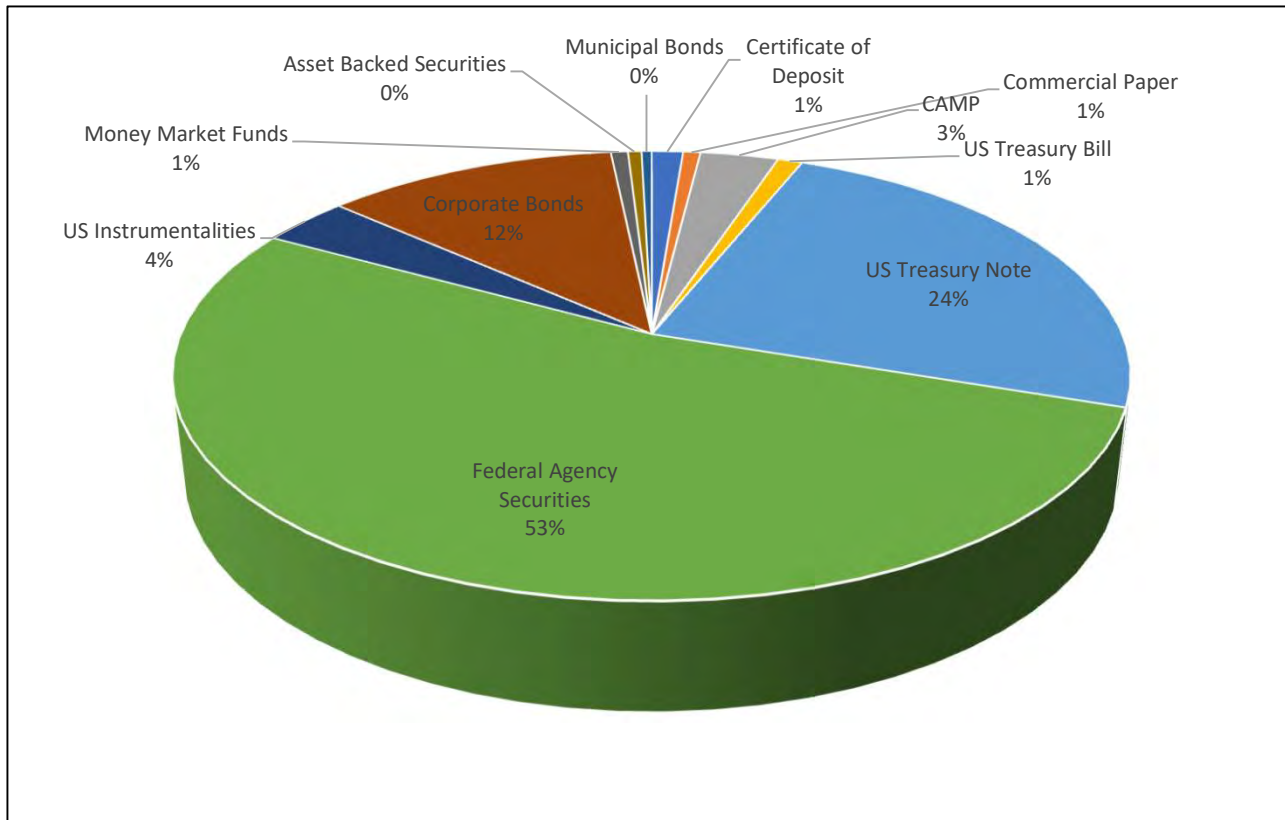
Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
<b>ASSET BACKED SECURITIES</b>													
TOYOTA LEASE OWNER TRUST 2021-A A3	0.39	04-22-24	11-20-23	100	976,087	99.99	975,973.18	99.20	968,278.39	116.32	968,394.71	AAA	0.01
TOYOTA AUTO RECEIVABLES A3	1.66	05-15-24			59,905	99.99	59,900.80	99.86	59,821.26	44.20	59,865.46	AAA	0.00
BMW LEASE TRUST 2021-1 A4	0.37	07-25-24	07-25-23	100	1,917,227	100.00	1,917,151.21	99.26	1,903,039.85	118.23	1,903,158.08	AAA	0.02
GM FINANCIAL	1.84	09-16-24			49,629	99.98	49,617.52	99.85	49,554.77	38.05	49,592.82	AAA	0.00
CARMAX	1.89	12-16-24			1,606,225	99.98	1,605,909.70	99.34	1,595,623.76	1,349.23	1,596,972.98	AAA	0.02
GM FINANCIAL AUTOMOBILE	0.50	07-21-25			2,260,000	100.00	2,259,918.41	96.06	2,170,956.00	345.28	2,171,301.28	AAA	0.03
KUBOTA CREDIT OWNER TRUST 2021-A1 A3	0.62	08-15-25			2,987,525	99.98	2,986,914.05	96.46	2,881,766.90	823.23	2,882,590.13	NR	0.04
VW AUTO LOAN ENHANCED TRUST 2021-1 A3	1.02	06-22-26			3,760,000	100.00	3,759,852.61	95.90	3,605,840.00	1,171.87	3,607,011.87	AAA	0.05
DISCOVER CARD EXECUTION NT 2021-A1 A1	0.58	09-15-26			8,325,000	99.98	8,323,217.62	94.08	7,832,160.00	2,146.00	7,834,306.00	AAA	0.10
GM FINL CONSMR AUTO RCVBL TRST 2021-4 A3	0.68	09-16-26	08-16-25	100	2,375,000	100.00	2,374,939.44	95.27	2,262,662.50	672.92	2,263,335.42	AAA	0.03
HYUNDAI AUTO RECVBL TRUST 2022-A A3	2.22	10-15-26	04-15-26	100	11,090,000	100.00	11,089,573.04	95.92	10,637,528.00	10,942.13	10,648,470.13	AAA	0.13
WORLD OMNI AUTO RCVBL TR 2021-D A3	0.81	10-15-26	08-15-25	100	3,485,000	99.99	3,484,525.34	95.44	3,326,084.00	1,254.60	3,327,338.60	AAA	0.04
CAPITAL ONE MULTI-ASSET EXEC. TRUST	1.04	11-15-26			7,170,000	99.99	7,169,011.97	94.13	6,749,121.00	3,314.13	6,752,435.13	AAA	0.08
					46,061,599		46,056,504.90		44,042,436.43	22,336.18	44,064,772.61		0.55
<b>MUNICIPAL BONDS</b>													
CALIFORNIA STATE TAXBL	3.40	08-01-23			10,000,000	104.35	10,434,900.00	99.64	9,963,900.00	113,333.33	10,077,233.33	AA-	0.13
SAN DIEGO CCD	2.00	08-01-23			5,790,000	100.00	5,790,000.00	99.42	5,756,591.70	38,522.80	5,795,114.50	AAA	0.07
UNIV OF CALIFORNIA REVS SRS 2020-BF	0.83	05-15-24			2,000,000	100.00	2,000,000.00	95.67	1,913,420.00	740.44	1,914,160.44	AA	0.02
CHAFFEY JT UN HSD	2.10	08-01-24			1,860,000	100.00	1,860,000.00	96.26	1,790,473.20	3,256.55	1,793,729.75	AA-	0.02
LOS ANGELES CCD SR 2020	0.67	08-01-24			4,450,000	100.00	4,450,000.00	94.78	4,217,799.00	9,982.83	4,227,781.83	AA+	0.05
UNIV OF CALIFORNIA REVS 2013-AG TXBL	3.05	05-15-25			2,950,000	109.67	3,235,206.00	96.55	2,848,372.50	3,998.89	2,852,371.39	AA	0.04
LOS ANGELES CCD SR 2020	0.77	08-01-25			6,735,000	100.00	6,735,000.00	91.92	6,190,609.95	17,353.85	6,207,963.80	AA+	0.08
					33,785,000		34,505,106.00		32,681,166.35	187,188.70	32,868,355.05		0.41
<b>TOTAL PORTFOLIO</b>					<b>8,196,858,135</b>		<b>8,164,707,563.54</b>		<b>7,955,105,894.23</b>	<b>53,979,211.63</b>	<b>8,009,085,105.86</b>		<b>100.00</b>

\*\* TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MARKET PRICES ARE DOWNLOADED THROUGH (IDC) INTERACTIVE DATA CORP.

## DIVERSIFICATION BY ISSUER

31-May-23	Asset-Backed	Certificate of Deposit	Commercial Paper	Corporate Bonds	Municipal Bonds	Total Par Value	Total %
Abbott Laboratories				\$10,000,000		\$10,000,000	0.15%
Amazon.com Inc				\$62,090,000		\$62,090,000	0.91%
American Express				\$28,485,000		\$28,485,000	0.42%
American Honda Finance				\$14,200,000		\$14,200,000	0.21%
Apple Inc.				\$30,000,000		\$30,000,000	0.44%
Astrazeneca Finance LLC				\$4,500,000		\$4,500,000	0.07%
Bank of America				\$42,000,000		\$42,000,000	0.61%
Bank of New York				\$49,700,000		\$49,700,000	0.73%
Bristol-Myers Squibb Co				\$5,393,000		\$5,393,000	0.08%
BB&T Corporation				\$25,000,000		\$25,000,000	0.37%
BMW	\$1,917,227			\$9,080,000		\$10,997,227	0.16%
CA Municipal Obligation					\$10,000,000	\$10,000,000	0.15%
Canadian Imp Bk Comm NY		\$50,000,000				\$50,000,000	0.73%
Capital One Multi Asset Exectn Tru	\$7,170,000					\$7,170,000	0.10%
Carmax	\$1,606,225					\$1,606,225	0.02%
Caterpillar				\$52,290,000		\$52,290,000	0.76%
Chaffey JT Union HSD					\$1,860,000	\$1,860,000	0.03%
Charles Schwab Corp.				\$18,255,000		\$18,255,000	0.27%
CitiGroup				\$24,950,000		\$24,950,000	0.36%
Comcast Corp				\$19,860,000		\$19,860,000	0.29%
Cooperatieve Rabobank				\$10,000,000		\$10,000,000	0.15%
Credit Agricole CIB NY			\$25,000,000			\$25,000,000	0.37%
Discover Card Execution Note	\$8,325,000					\$8,325,000	0.12%
Exxon Mobil				\$10,000,000		\$10,000,000	0.15%
General Motors	\$5,251,904					\$5,251,904	0.08%
Goldman Sachs				\$37,990,000		\$37,990,000	0.56%
Home Depot Inc				\$6,040,000		\$6,040,000	0.09%
Honeywell International				\$42,473,000		\$42,473,000	0.62%
Hyundai	\$11,090,000					\$11,090,000	0.16%
IBM Corp.				\$25,000,000		\$25,000,000	0.37%
Intel Corp				\$4,325,000		\$4,325,000	0.06%
John Deere				\$46,420,000		\$46,420,000	0.68%
JP Morgan				\$37,955,000		\$37,955,000	0.55%
Kubota Credit	\$2,987,525					\$2,987,525	0.04%
Los Angeles CCD					\$11,185,000	\$11,185,000	0.16%
Microsoft Corp				\$10,000,000		\$10,000,000	0.15%
Morgan Stanley				\$24,780,000		\$24,780,000	0.36%
MUFG Bank		\$25,000,000	\$30,000,000			\$55,000,000	0.80%
National Australia BK/NY				\$16,780,000		\$16,780,000	0.25%
National Rural Util Coop				\$30,520,000		\$30,520,000	0.45%
Nestle Holdings Inc				\$17,275,000		\$17,275,000	0.25%
Northern Trust				\$12,311,000		\$12,311,000	0.18%
Nvidia Corp				\$5,000,000		\$5,000,000	0.07%
Paccar Financial Group				\$26,055,000		\$26,055,000	0.38%
Pepsico Inc				\$5,150,000		\$5,150,000	0.08%
PNC Financial Services				\$15,000,000		\$15,000,000	0.22%
Roche Holdings Inc.				\$23,620,000		\$23,620,000	0.35%
San Diego CA CCD					\$5,790,000	\$5,790,000	0.08%
State Street Corp				\$15,000,000		\$15,000,000	0.22%
Suntrust Banks Inc				\$10,000,000		\$10,000,000	0.15%
Target Corp				\$15,470,000		\$15,470,000	0.23%
Texas Instrument Inc				\$10,000,000		\$10,000,000	0.15%
Toronto Dominion Bk NY		\$25,000,000				\$25,000,000	0.37%
Toyota	\$468,717			\$53,135,000		\$53,603,717	0.78%
Truist Financial Corp				\$10,000,000		\$10,000,000	0.15%
Unilever Capital Corp				\$5,450,000		\$5,450,000	0.08%
United Health Group Inc.				\$10,000,000		\$10,000,000	0.15%
United Parcel Service				\$10,000,000		\$10,000,000	0.15%
University of California					\$4,950,000	\$4,950,000	0.07%
US Bank				\$10,000,000		\$10,000,000	0.15%
Volkswagen	\$3,760,000					\$3,760,000	0.05%
Walmart Inc				\$18,000,000		\$18,000,000	0.26%
Walt Disney Co.				\$9,115,000		\$9,115,000	0.13%
World Omni	\$3,485,000					\$3,485,000	0.05%
<b>Grand Total</b>	<b>\$46,061,599</b>	<b>\$100,000,000</b>	<b>\$55,000,000</b>	<b>\$978,667,000</b>	<b>\$33,785,000</b>	<b>\$1,213,513,599</b>	<b>17.74%</b>

**SAN MATEO COUNTY TREASURER - ASSET ALLOCATION**  
as of May 31, 2023



SECTOR	MARKET VALUE*	
Certificate of Deposit	101,114,583	1.3%
Commercial Paper	55,910,873	0.7%
CAMP	252,082,139	3.1%
US Treasury Bill	79,429,746	1.0%
US Treasury Note	1,927,685,313	24.1%
Federal Agency Securities	4,232,766,807	52.8%
US Instrumentalities	284,467,861	3.6%
Corporate Bonds	943,462,112	11.8%
Money Market Funds	55,232,543	0.7%
Asset Backed Securities	44,064,773	0.6%
Municipal Bonds	32,868,355	0.4%
<b>TOTALS</b>	<b>8,009,085,106</b>	<b>100.0%</b>

\*Market Values listed include accrued interest for the reported period.



(In 000's)	<u>JUNE</u> <u>2023</u>	<u>JULY</u>	<u>AUGUST</u>	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u> <u>2024</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>TOTAL</u>
<b>CASH IN:</b>													
Taxes:													
Secured	\$2,065	\$64	\$0	\$0	\$96,358	\$350,842	\$250,368	\$48,844	\$39,848	\$139,980	\$153,751	\$7,295	<b>\$1,089,414</b>
Mixed	\$19,807	\$18,918	\$97,163	\$33,565	\$168,015	\$434,926	\$763,281	\$86,065	\$94,817	\$321,101	\$615,722	\$34,107	<b>\$2,687,488</b>
State Automatics	\$112,599	\$70,220	\$87,528	\$96,340	\$89,507	\$50,034	\$109,892	\$71,601	\$85,537	\$92,016	\$67,581	\$83,315	<b>\$1,016,168</b>
Unscheduled Sub. (Lockbox)	\$50,672	\$14,677	\$19,119	\$38,987	\$28,467	\$58,293	\$57,264	\$38,101	\$33,448	\$57,114	\$59,759	\$30,441	<b>\$486,340</b>
Treasurer's Deposit	\$153,281	\$57,250	\$81,428	\$77,612	\$82,883	\$104,615	\$74,769	\$94,175	\$62,088	\$92,019	\$60,071	\$89,499	<b>\$1,029,689</b>
Hospitals	\$10,735	\$42,270	\$15,912	\$25,752	\$41,318	\$14,263	\$16,027	\$11,690	\$16,669	\$19,049	\$48,989	\$12,252	<b>\$274,925</b>
Retirement Deposit	\$17,998	\$0	\$0	\$0	\$0	\$0	\$17	\$0	\$0	\$10,200	\$22,103	\$22,103	<b>\$72,421</b>
Housing Authority	\$3,800	\$4,097	\$3,166	\$4,852	\$4,094	\$4,625	\$6,058	\$3,337	\$3,391	\$3,649	\$4,135	\$3,308	<b>\$48,512</b>
SMCOE/SMCCCD	\$10,010	\$979	\$3,879	\$7,717	\$2,165	\$4,329	\$2,273	\$3,619	\$7,562	\$2,707	\$4,981	\$2,580	<b>\$52,803</b>
GO Bond Proceeds	\$96,747	\$38,000	\$12,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$146,747</b>
TRANS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Coupon	\$3,835	\$10,322	\$7,134	\$6,523	\$7,777	\$6,942	\$6,400	\$11,371	\$10,143	\$11,742	\$18,658	\$16,635	<b>\$117,482</b>
<b>TOTAL CASH IN:</b>	<b>\$481,549</b>	<b>\$256,796</b>	<b>\$327,328</b>	<b>\$291,347</b>	<b>\$520,583</b>	<b>\$1,028,869</b>	<b>\$1,286,350</b>	<b>\$368,804</b>	<b>\$353,502</b>	<b>\$749,576</b>	<b>\$1,055,750</b>	<b>\$301,534</b>	<b>\$7,021,989</b>
<b>CASH OUT:</b>													
Tax Apportionments:	(\$48,386)	\$0	(\$35,802)	(\$977)	(\$1,197)	(\$21,983)	(\$221,008)	(\$24,649)	(\$30,801)	(\$20,752)	(\$113,316)	(\$13,021)	<b>(\$531,892)</b>
Voluntary Participants W/D	(\$37,293)	(\$47,201)	(\$15,284)	(\$16,460)	(\$24,999)	(\$30,032)	(\$152,792)	(\$142,743)	(\$32,625)	(\$54,035)	(\$122,334)	(\$51,052)	<b>(\$726,849)</b>
County Payments	(\$18,667)	(\$53,028)	(\$2,117)	(\$42,059)	(\$791)	(\$124,846)	(\$17,615)	(\$14,396)	(\$27,492)	(\$24,140)	(\$1,692)	(\$45,471)	<b>(\$372,314)</b>
GO Bond/TRANS Payments	(\$20,327)	(\$40,484)	(\$87,044)	(\$113,958)	(\$6,461)	\$0	\$0	(\$26,076)	(\$26,120)	(\$22,516)	(\$3,119)	\$0	<b>(\$346,105)</b>
Payroll - County	(\$52,564)	(\$71,313)	(\$59,695)	(\$51,668)	(\$52,942)	(\$55,985)	(\$73,235)	(\$63,380)	(\$54,104)	(\$55,338)	(\$56,734)	(\$55,927)	<b>(\$702,885)</b>
SMCOE/SMCCCD	(\$115,981)	(\$85,716)	(\$73,043)	(\$103,409)	(\$114,370)	(\$112,613)	(\$134,027)	(\$82,130)	(\$110,538)	(\$113,657)	(\$122,343)	(\$118,253)	<b>(\$1,286,081)</b>
Retirement	(\$23,944)	(\$24,211)	(\$24,496)	(\$21,313)	(\$27,901)	(\$24,337)	(\$23,766)	(\$24,325)	(\$24,976)	(\$24,655)	(\$26,218)	(\$22,311)	<b>(\$292,453)</b>
SMC-payables	(\$101,065)	(\$135,621)	(\$56,033)	(\$69,341)	(\$83,460)	(\$62,081)	(\$97,916)	(\$80,210)	(\$118,336)	(\$114,515)	(\$93,695)	(\$81,617)	<b>(\$1,093,890)</b>
SMCOE-payables	(\$92,311)	(\$77,482)	(\$97,685)	(\$66,852)	(\$82,652)	(\$66,158)	(\$80,935)	(\$69,564)	(\$75,645)	(\$79,508)	(\$70,525)	(\$99,876)	<b>(\$959,193)</b>
SMCCCD-payables	(\$11,424)	(\$14,078)	(\$10,967)	(\$8,251)	(\$8,974)	(\$7,353)	(\$5,930)	(\$4,963)	(\$9,254)	(\$9,882)	(\$5,161)	(\$10,169)	<b>(\$106,405)</b>
Housing Authority(Payroll-Payables)	(\$4,274)	(\$3,865)	(\$3,691)	(\$3,634)	(\$3,451)	(\$4,437)	(\$4,894)	(\$3,204)	(\$3,270)	(\$3,904)	(\$3,910)	(\$3,610)	<b>(\$46,143)</b>
Other ARS Debits	(\$21,565)	(\$29,436)	(\$19,565)	(\$19,530)	(\$15,340)	(\$16,241)	(\$19,257)	(\$18,942)	(\$16,777)	(\$26,997)	(\$14,570)	(\$22,029)	<b>(\$240,248)</b>
Returned Chks/Misc. Fees	(\$4)	(\$37)	(\$12)	(\$563)	(\$186)	(\$44)	(\$8)	(\$18)	(\$3)	(\$4)	(\$3)	(\$11)	<b>(\$891)</b>
<b>TOTAL CASH OUT:</b>	<b>(\$547,805)</b>	<b>(\$582,472)</b>	<b>(\$485,435)</b>	<b>(\$518,015)</b>	<b>(\$422,722)</b>	<b>(\$526,110)</b>	<b>(\$831,382)</b>	<b>(\$554,599)</b>	<b>(\$529,940)</b>	<b>(\$549,902)</b>	<b>(\$633,620)</b>	<b>(\$523,346)</b>	<b>(\$6,705,347)</b>
<b>TOTAL ESTIMATED CASH FLOW</b>	<b>(\$66,255)</b>	<b>(\$325,676)</b>	<b>(\$158,107)</b>	<b>(\$226,668)</b>	<b>\$97,861</b>	<b>\$502,759</b>	<b>\$454,968</b>	<b>(\$185,796)</b>	<b>(\$176,437)</b>	<b>\$199,674</b>	<b>\$422,130</b>	<b>(\$221,812)</b>	<b>\$316,641</b>
<b>MATURING SECURITIES (SMC)</b>	<b>\$280,300</b>	<b>\$285,000</b>	<b>\$192,000</b>	<b>\$270,035</b>	<b>\$104,750</b>	<b>\$184,796</b>	<b>\$93,850</b>	<b>\$125,000</b>	<b>\$150,239</b>	<b>\$28,250</b>	<b>\$50,000</b>	<b>\$76,850</b>	<b>\$1,841,070</b>
<b>LAIF/CAMP/DREYFUS(SMC)</b>	<b>\$302,763</b>												<b>\$302,763</b>
<b>CALLABLE SECURITIES (SMC)</b>	<b>\$490,817</b>	<b>\$328,590</b>	<b>\$101,709</b>	<b>\$75,000</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$35,000</b>	<b>\$100,000</b>	<b>\$60,000</b>	<b>\$0</b>	<b>\$50,000</b>	<b>\$0</b>	<b>\$1,341,116</b>

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## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.*

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Refunding Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

11. The information in this appendix 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.



