

NEW ISSUE – BOOK ENTRY ONLY

**RATING: S&P: “AA-”
(See “RATING” herein.)**

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein.



\$8,000,000
GONZALES UNIFIED SCHOOL DISTRICT
(MONTEREY COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
2020 ELECTION, 2023 SERIES C

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The Gonzales Unified School District (Monterey County, California) General Obligation Bonds, 2020 Election, 2023 Series C (the “Bonds”) are being issued by the Gonzales Unified School District (the “District”) to finance the acquisition, construction, furnishing and equipping of District facilities, and to pay certain costs of issuance associated therewith, as more fully described herein under the caption “THE PROJECTS.” The Bonds were authorized at an election within the District held on November 3, 2020 (the “Election”) at which at least fifty-five percent of the registered voters voting on the proposition known as Measure “K” voted to authorize the issuance and sale of \$37,000,000 aggregate principal amount of general obligation bonds of the District (the “2020 Authorization”). The Bonds are the third series of general obligation bonds issued under the 2020 Authorization and are issued on a parity basis with all other outstanding general obligation bonds of the District.

The Bonds are general obligations of the District only and are not obligations of the County of Monterey (the “County”), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2024. See “THE BONDS” herein.

The Bonds will be issued in book-entry form only, in denominations of \$5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by U.S. Bank Trust Company, National Association, as Paying Agent, to DTC for subsequent disbursement to DTC participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System.”

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

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the District. Certain matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about December 5, 2023.



The Date of this Official Statement is: November 16, 2023.

MATURITY SCHEDULE

\$8,000,000

GONZALES UNIFIED SCHOOL DISTRICT
(MONTEREY COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
2020 ELECTION, 2023 SERIES C

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP ¹ (381802)
2027	\$ 650,000	5.000%	3.120%	BU0
2028	600,000	5.000	3.120	BV8
2029	610,000	5.000	3.140	BW6
2030	675,000	5.000	3.170	BX4
2031	720,000	5.000	3.180	BY2
2032	790,000	5.000	3.200	BZ9
2033	865,000	5.000	3.220	CA3
2034	940,000	5.000	3.280*	CB1
2035	1,030,000	5.000	3.380*	CC9
2036	1,120,000	5.000	3.510*	CD7

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter, or their agents or counsel assumes responsibility for the accuracy of such numbers.

*Yield to first optional redemption date of August 1, 2033, at par.

GONZALES UNIFIED SCHOOL DISTRICT
Monterey County, State of California

Board of Education

Araceli Flores, *President*
Cesar Ayon, *Clerk*
Maria Cuevas, *Member*
Melissa Morales, *Member*
Janet Pacheco, *Member*

District Administrators

Matilde Zamora, Ed.D., *Superintendent*
Joannie Lumbrá, *Assistant Superintendent of Business /Chief Business Official*
Pamela Gildersleeve-Hernandez, *Interim Assistant Superintendent of Educational Services*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Municipal Advisor

Dale Scott & Co., Inc.
San Francisco, California

Paying Agent, Transfer Agent and Registration Agent

U.S. Bank Trust Company, National Association
Los Angeles, California

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Monterey, the County of Monterey has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "MONTEREY COUNTY POOLED INVESTMENT FUND."

The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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\$8,000,000
GONZALES UNIFIED SCHOOL DISTRICT
(MONTEREY COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
2020 ELECTION, 2023 SERIES C

INTRODUCTION

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

General

The Gonzales Unified School District (the “District”) proposes to issue \$8,000,000 aggregate principal amount of its General Obligation Bonds, 2020 Election, 2023 Series C (the “Bonds”) under and pursuant to a bond authorization (the “2020 Authorization”) for the issuance and sale of not more than \$37,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition known as Measure “K” at a general election held on November 3, 2020 (the “Election”). Pursuant to the 2020 Authorization, on May 20, 2021 the District issued its \$2,675,000 General Obligation Bonds, 2020 Election, 2021 Series A (the “2021 Series A Bonds”) and on May 24, 2023 the District issued its \$3,000,000 General Obligation Bonds, 2020 Election, 2023 Series B (the “2023 Series B Bonds”). The Bonds constitute the third series of bonds to be issued under the 2020 Authorization. Subsequent to the issuance of the Bonds, \$23,325,000 aggregate principal amount of general obligation bonds will remain for issuance pursuant to the 2020 Authorization.

Proceeds from the sale of the Bonds will be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith. See “THE BONDS – Purpose of Issue” and “THE PROJECTS” herein.

Registration

U.S. Bank Trust Company, National Association will act as the initial registrar, transfer agent and paying agent for the Bonds (the “Paying Agent”). As long as The Depository Trust Company, New York, New York (“DTC”) is the registered owner of the Bonds and DTC’s book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. See “THE BONDS – Description of the Bonds” herein.

The District

The District was formed in 1997 with the unification of the Gonzales Union High School District (established in the 1890s) and the Gonzales Union Elementary School District (established in the 1920s). The Mission School District and the Chualar Union School District were not part of the unification but are feeder elementary school districts to the District’s high school, providing educational services for students in grades K-8. The District comprises approximately 90 square miles in Monterey County (the “County”), including the City of Gonzales (the “City”) and unincorporated areas of the County. The District is located in the northeastern part of the County, approximately 15 miles south of Salinas and is traversed north/south by Highway 101. The District currently provides education services in one

elementary school providing transitional kindergarten through fifth grade, one middle school providing sixth through eighth grade, one high school providing ninth through twelfth grade and an adult evening school. The average daily attendance (“ADA”) for the District for fiscal year 2023-24 is budgeted to be 1,915.16 students and the District has a 2023-24 total assessed valuation of \$2,496,383,647. The District’s audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX B. For further information concerning the District, see the caption “GONZALES UNIFIED SCHOOL DISTRICT” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See “THE BONDS – Continuing Disclosure Agreement,” “CONTINUING DISCLOSURE” herein and APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. U.S. Bank Trust Company, National Association, Los Angeles, California, is acting as paying agent for the Bonds. Dale Scott & Co., Inc., San Francisco, California, is acting as Municipal Advisor to the District in connection with the issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is acting as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley, Stradling Yocca Carlson & Rauth, a Professional Corporation, Dale Scott & Co., Inc. and U.S. Bank Trust Company, National Association will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR

REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December 5, 2023.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State (the “Government Code”) (commencing with Section 53506), applicable provisions of the Education Code of the State (the “Education Code”) and pursuant to a resolution of the Board of Education (“Board”) of the District adopted on October 10, 2023 (the “Resolution”).

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the Election, which includes, among other things: expanding vocational education classrooms including engineering, technology and agricultural science; upgrading school fire alarms and emergency preparations; improving handicap accessibility (ADA); upgrading science labs, technology and student internet access; replacing outdated portables; and repairing classrooms including roofs and plumbing at Gonzales High School and Gonzales Adult School. (the “Projects”). See “THE PROJECTS” herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of \$5,000 principal amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by U.S. Bank Trust Company, National Association, as Paying Agent, to Cede & Co., as

nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” herein.

Payment of the Bonds

Principal of the Bonds is payable on August 1 of each year, commencing August 1, 2027, as shown on the inside cover page hereof. Interest on the Bonds is payable commencing February 1, 2024, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”). The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the “Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if at the time of authentication of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date.

Redemption

Optional Redemption of Bonds. The Bonds maturing on or before August 1, 2033 are not subject to redemption prior to their stated maturity dates. The Bonds maturing on or after August 1, 2034 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2033, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all of the Bonds are called for redemption, such Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed shall be determined by lot.

Notice of Redemption

Notice of any redemption of the Bonds shall be mailed by the Paying Agent, postage prepaid, not less than twenty (20) nor more than sixty (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 Registration Books, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Bonds to be redeemed; (vi) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (vii) the CUSIP number, if any, of each Bond to be redeemed; (viii) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (viii) notice that further interest on such Bonds will not accrue after the designated redemption date; and (ix) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

Right to Rescind Notice of Redemption

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of and interest and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Effect of Notice of Redemption

A certificate of the Paying Agent that notice of redemption has been given to Owners shall be conclusive as against all parties. Neither the failure to receive the notice of redemption, nor any defect in such notice, shall affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for in the Resolution, and when the redemption price of the Bonds called for redemption is set aside for the purpose of redeeming such Bonds, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the Interest and Sinking Fund or the trust fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Transfer and Exchange

If the Bonds are no longer in book-entry-only form, any Bond may be exchanged for Bonds of like amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the

Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of any or all of the outstanding Bonds all or any part of the principal, interest and premium, if any, on the Bonds at the times and in the manner provided in the Resolution and in the Bonds, or as described in the following paragraph, or as otherwise provided by law consistent with the Resolution, then such Owners shall cease to be entitled to the obligation of the District as provided in the Resolution, and such obligation and all agreement and covenants of the District and of the County to such Owners under the Resolution and under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the 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 relating to unclaimed moneys shall apply in all events.

For purposes of defeasance of the Bonds, the District may pay and discharge any or all of the 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 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See “CONTINUING DISCLOSURE” herein and APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds	\$8,000,000.00
Original Issue Premium	<u>949,165.75</u>
Total Sources	\$8,949,165.75

Uses of Funds

Deposit to Building Fund	7,797,056.00
Deposit to Interest and Sinking Fund	949,165.75
Costs of Issuance ⁽¹⁾	<u>202,944.00</u>
Total Uses	\$8,949,165.75

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

District Investments; Application of Proceeds

The Monterey County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school districts and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's pooled investment fund (the "Pooled Investment Fund").

The composition and value of investments under management in the Pooled Investment Fund vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. For a further discussion of the Pooled Investment Fund, see the caption "MONTEREY COUNTY POOLED INVESTMENT FUND" herein.

The net proceeds from the sale of the Bonds (other than premium) shall be paid to the County to the credit of the Gonzales Unified School District Building Fund (the "Building Fund") established pursuant to the Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the Projects (as described below). Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the Interest and Sinking Fund. Earnings on the investment of moneys in either the Building Fund or the Interest and Sinking Fund will be retained in the respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Interest and Sinking Fund may only be applied to make payments of principal of and interest, and premium, if any, on bonds of the District. All funds held in the Building Fund and the Interest and Sinking Fund will be invested by the Treasurer. See "MONTEREY COUNTY POOLED INVESTMENT FUND" herein.

DEBT SERVICE SCHEDULES

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

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2024	\$ --	\$ 262,222.22	\$ 262,222.22
2025	--	400,000.00	400,000.00
2026	--	400,000.00	400,000.00
2027	650,000.00	400,000.00	1,050,000.00
2028	600,000.00	367,500.00	967,500.00
2029	610,000.00	337,500.00	947,500.00
2030	675,000.00	307,000.00	982,000.00
2031	720,000.00	273,250.00	993,250.00
2032	790,000.00	237,250.00	1,027,250.00
2033	865,000.00	197,750.00	1,062,750.00
2034	940,000.00	154,500.00	1,094,500.00
2035	1,030,000.00	107,500.00	1,137,500.00
2036	<u>1,120,000.00</u>	<u>56,000.00</u>	<u>1,176,000.00</u>
Total	\$8,000,000.00	\$3,500,472.22	\$11,500,472.22

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The following table summarizes the aggregate annual debt service on all outstanding general obligation bonds of the District, assuming no optional redemption, comprised of the District's (i) General Obligation Bonds, 2000 Election, Series 2000A (the "2000 Series A Bonds"), (ii) the General Obligation Bonds, 2000 Election, Series 2007B (the "2007 Series B Bonds"), (iii) the 2021 Series A Bonds, (iv) the 2023 Series B Bonds, and (v) the Bonds, rounded to the nearest dollar. See, "GONZALES UNIFIED SCHOOL DISTRICT – District Debt Structure" herein for additional information concerning the District's outstanding general obligation bonds.

**DEBT SERVICE ON ALL OUTSTANDING
GENERAL OBLIGATION BONDS**

Bond Year Ending August 1	2000 Series A Bonds	2007 Series B Bonds	2021 Series A Bonds	2023 Series B Bonds	The Bonds	Aggregate Total Debt Service
2024	\$ 725,000.00	--	\$556,400.00	\$ 785,000.00	\$ 262,222.22	\$2,328,622.22
2025	775,000.00	--	--	1,273,250.00	400,000.00	2,448,250.00
2026	--	\$ 885,000.00	--	1,270,500.00	400,000.00	2,555,500.00
2027	--	950,000.00	--	--	1,050,000.00	2,000,000.00
2028	--	1,025,000.00	--	--	967,500.00	1,992,500.00
2029	--	1,100,000.00	--	--	947,500.00	2,047,500.00
2030	--	1,185,000.00	--	--	982,000.00	2,167,000.00
2031	--	1,270,000.00	--	--	993,250.00	2,263,250.00
2032	--	1,365,000.00	--	--	1,027,250.00	2,392,250.00
2033	--	--	--	--	1,062,750.00	1,062,750.00
2034	--	--	--	--	1,094,500.00	1,094,500.00
2035	--	--	--	--	1,137,500.00	1,137,500.00
2036	--	--	--	--	1,176,000.00	1,176,000.00
Total	\$1,500,000.00	\$7,780,000.00	\$556,400.00	\$3,328,750.00	\$11,500,472.22	\$24,665,622.22

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SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. The District received authorization to issue \$37,000,000 aggregate principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 3, 2020. The Bonds are the third series of general obligation bonds issued under the Authorization. Subsequent to the issuance of the Bonds, \$23,325,000 aggregate principal amount of general obligation bonds will remain for issuance under the Authorization.

Property Taxation System

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

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

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service

Under State of California (the “State”) law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% general property tax levy, which may be used to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successors, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the “Pledged Moneys”). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District, payable solely from Pledged Moneys and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

THE PROJECTS

The District will apply the net proceeds of the Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list. The “Smaller Classes, Safer Schools, and Financial Accountability Act,” a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds, which was then submitted to the voters at the Election (the “Project List”). The District will prioritize and may not undertake to complete all components of the Project List. See also “THE BONDS—Purpose of Issue.”

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide, or less than city-wide, special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES" herein.

The State Constitution currently requires a credit of \$7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of \$100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to \$150,000 if the applicant meets the income limit of \$40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table presents the historical assessed valuation in the District since fiscal year 2011-12. The District's total assessed valuation is \$2,496,383,647 for fiscal year 2023-24.

GONZALES UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2011-12 Through 2023-24

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2011-12	\$1,133,359,844	\$ 918,522	\$128,848,408	\$1,263,126,774	--
2012-13	1,202,594,996	675,066	149,545,376	1,352,815,438	7.10%
2013-14	1,262,528,587	675,066	152,230,683	1,415,434,336	4.63
2014-15	1,330,906,361	675,066	160,712,902	1,492,294,329	5.43
2015-16	1,439,277,281	675,066	175,330,380	1,615,282,727	8.24
2016-17	1,545,025,135	783,426	189,206,649	1,735,015,210	7.41
2017-18	1,635,223,377	783,426	223,606,363	1,859,613,166	7.18
2018-19	1,719,386,819	783,426	254,034,240	1,974,204,485	6.16
2019-20	1,791,251,317	783,426	305,397,828	2,097,432,571	6.24
2020-21	1,913,240,238	1,674,875	251,017,954	2,165,933,067	3.27
2021-22	1,967,706,852	1,674,875	253,398,175	2,222,779,902	2.62
2022-23	2,086,063,050	1,674,875	302,588,952	2,390,326,877	7.54
2023-24	2,154,499,958	1,674,875	304,208,814	2,496,383,647	9.81

Source: *California Municipal Statistics, Inc.*

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "SECURITY FOR THE BONDS."

Natural Disasters Impacting Assessed Valuations

Drought Conditions. Water shortfalls resulting from the driest conditions in recorded State history caused a State-wide drought State of Emergency for California in 2014 and the imposition by State regulators of reductions in water usage through 2017 when the State-wide drought ended in almost all California counties.

During fiscal years 2020-21, 2021-22, and 2022-23, much of the State experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. On July 8, 2021, Governor Newsom signed Executive Order N-10-21 calling on all Californians to voluntarily reduce water usage by 15%. On October 19, 2021, Governor Newsom declared a State of Emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during rain and using potable water to clean hard surfaces and driveways. In June, 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations followed by additional water use regulations in December prohibiting wasteful water use practices.

On March 24, 2023, as a result of rain and snowfall in the State, Governor Newsom rolled back many of the water use restrictions in his previous drought-related executive orders but left in place certain measures aimed at wasteful water uses as well as preserving ground water supplies.

Currently, according to the U.S. Drought Monitor, approximately 94.34% of the State is experiencing no drought and approximately 5.66% of the State is experiencing Abnormally Dry conditions. The County is not currently experiencing drought conditions. The District cannot predict if or when water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

Wildfires. In recent years, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. During the summers of 2020 and 2021, California experienced large-scale wildfires in several portions of the State. According to the California Department of Forestry and Fire Protection (CalFire), portions of the District are located in moderate, high or very high fire hazard severity zones, which are determined based on the average hazard across the area included in the zone. The District was not materially impacted by any recent California wildfires.

Earthquakes. All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the District due to the highly active seismic region and the proximity of fault zones, which could influence much of the California coastline including the San Francisco Bay Area. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the District and other local public entities and would require a high level of self-help, coordination and cooperation.

The District is located near the Monterey Bay area, on the Central coast of California, which has a very high likelihood of future earthquakes as it straddles the San Andreas fault system. There have been a total of 8,238 earthquakes in the Gonzales area since 1931. The largest earthquake within 30 miles of Gonzales was a 5.4 magnitude in 1986. According to the USGS database, there is a 99.96% chance of a major earthquake (i.e., greater than 5.0 magnitude) within 30 miles of the Gonzales area within the next 50 years.

Climate Change. Climate change caused by human activities may have adverse effects on the property within the boundaries of the District. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts and wildfires as well as increased risk of flooding and a rise in sea levels. Projections of the impacts of global climate change are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts.

The occurrence of natural disasters within the boundaries of the District could result in substantial damage to property within the District (including District properties) and, in turn, could substantially reduce assessed valuations of such property.

Change in Economic Conditions. The outbreak of COVID-19 and the corresponding measures to prevent its spread have caused widespread unemployment and economic slow-down in the United States,

the State and the County. Such economic slow-down may lead to an economic recession or depression and a general market decline in real estate values. Such a decline may cause a reduction of assessed values in the District. See “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” for more information regarding the impact of COVID-19.

The District cannot make any representation regarding the effects that the drought, change in economic conditions, caused by pandemic or otherwise, fire conditions, earthquakes, or other natural disasters has had, or may have on the value of taxable property within the District, or to what extent such conditions could cause disruptions to agricultural production, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

Reassessments and Appeals of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 (“Proposition 8”), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization (“SBE”), with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the factors described in the paragraph above or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution.”

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

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIII A (currently, a 2% annual maximum) until such assessed value again equals the Article XIII A base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIII A and base year values may not be increased by more than the standard Article XIII A annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIII A base year value for such property. See “CONSTITUTIONAL AND STATUTORY

PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution” herein.

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

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction

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

GONZALES UNIFIED SCHOOL DISTRICT 2023-24 Assessed Valuation by Jurisdiction

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Gonzales	\$914,704,685	36.64%	\$914,704,685	100.00%
Unincorporated Monterey County	<u>1,581,678,962</u>	<u>63.36</u>	43,781,538,187	3.61
Total District	\$2,496,383,647	100.00%		

Source: *California Municipal Statistics, Inc.*

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Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use for fiscal year 2023-24

GONZALES UNIFIED SCHOOL DISTRICT 2023-24 Assessed Valuation and Parcels by Land Use

Non- Residential	Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Agricultural/Rural	\$1,163,101,920	53.98%	808	25.71%
Commercial/Office	47,819,330	2.22	107	3.40
Vacant Commercial	10,643,655	0.49	13	0.41
Industrial	305,658,940	14.19	56	1.78
Vacant Industrial	23,129,891	1.07	27	0.86
Governmental/Social/Institutional	504,506	0.02	111	3.53
Miscellaneous	<u>17,747,822</u>	<u>0.82</u>	<u>60</u>	<u>1.91</u>
Subtotal Non-Residential	\$1,568,606,064	72.81%	1,182	37.61%
Residential				
Single Family Residence	\$529,564,510	24.58%	1,768	56.25%
Mobile Home	413,713	0.02	25	0.80
Mobile Home Park	1,180,525	0.05	4	0.13
2-4 Residential Units	24,978,033	1.16	80	2.55
5+ Residential Units/Apartments	18,866,796	0.88	23	0.73
Vacant Residential	10,890,317	0.51	61	1.94
Subtotal Non-Residential	\$585,893,894	27.19%	1,961	62.39%
Total	\$2,154,499,958	100.00%	3,143	100.00%

⁽¹⁾Local secured assessed valuation, excluding tax-exempt property.

Source: *California Municipal Statistics, Inc.*

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Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2023-24, including the median and average assessed value per single family parcel.

GONZALES UNIFIED SCHOOL DISTRICT Per Parcel 2023-24 Assessed Valuation of Single Family Homes

	No. of Parcels	2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,768	\$529,564,510	\$299,527	\$252,653

2023-24 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	5	0.283%	0.283%	\$100,188	0.019%	0.019%
\$25,000 - \$49,999	50	2.828	3.111	2,034,462	0.384	0.403
\$50,000 - \$74,999	46	2.602	5.713	2,878,494	0.544	0.947
\$75,000 - \$99,999	39	2.206	7.919	3,457,969	0.653	1.600
\$100,000 - \$124,999	72	4.072	11.991	8,212,784	1.551	3.150
\$125,000 - \$149,999	54	3.054	15.045	7,519,298	1.420	4.570
\$150,000 - \$174,999	123	6.957	22.002	20,067,722	3.789	8.360
\$175,000 - \$199,999	152	8.597	30.600	28,626,216	5.406	13.765
\$200,000 - \$224,999	167	9.446	40.045	35,644,041	6.731	20.496
\$225,000 - \$249,999	167	9.446	49.491	39,817,635	7.519	28.015
\$250,000 - \$274,999	127	7.183	56.674	33,484,199	6.323	34.338
\$275,000 - \$299,999	98	5.543	62.217	28,050,762	5.297	39.635
\$300,000 - \$324,999	70	3.959	66.176	21,947,085	4.144	43.780
\$325,000 - \$349,999	59	3.337	69.514	19,800,301	3.739	47.519
\$350,000 - \$374,999	61	3.450	72.964	22,121,643	4.177	51.696
\$375,000 - \$399,999	63	3.563	76.527	24,389,832	4.606	56.301
\$400,000 - \$424,999	68	3.846	80.373	28,127,326	5.311	61.613
\$425,000 - \$449,999	52	2.941	83.314	22,679,658	4.283	65.896
\$450,000 - \$474,999	62	3.507	86.821	28,660,560	5.412	71.308
\$475,000 - \$499,999	48	2.715	89.536	23,408,932	4.420	75.728
\$500,000 and greater	<u>185</u>	<u>10.464</u>	100.000	<u>128,535,403</u>	<u>24.272</u>	100.000
	1,768	100.000%		\$529,564,510	100.000%	

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

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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2023-24.

GONZALES UNIFIED SCHOOL DISTRICT 2023-24 Largest Local Secured Taxpayers

	Property Owner	Primary Land Use	Assessed Valuation	Total ⁽¹⁾
1.	Pacific Wine Partners LLC	Food Processing	\$ 94,594,711	4.39%
2.	D'Arrigo Bros. Co.	Agricultural	74,002,405	3.43
3.	Taylor Farms Retail Inc.	Food Processing	61,743,372	2.87
4.	Mann Packing Co.	Food Processing	43,312,793	2.01
5.	RCT Land Company LP	Vineyards	40,610,162	1.88
6.	George F. Amaral	Agricultural	34,375,493	1.60
7.	Matt Williams Ranch LLC	Agricultural	31,004,889	1.44
8.	Asellus-Monterey LLC	Vineyards	30,797,175	1.43
9.	Jacks Ranch LLC	Agricultural	30,145,005	1.40
10.	Red Stick Farms Monterey LLC	Vineyards	30,129,127	1.40
11.	TMV Lands LLC	Vineyards	28,563,986	1.33
12.	David Costa	Food Processing	27,297,126	1.27
13.	John Hancock Life Insurance Company	Vineyards	26,033,301	1.21
14.	Gallo Vineyards Inc.	Vineyards	24,653,001	1.14
15.	Jackson Family Estates II LLC	Vineyards	22,094,073	1.03
16.	Matsui Nursery Inc.	Nursery	20,854,666	0.97
17.	E & J Gallo Winery	Vineyards	20,264,610	0.94
18.	Bianchi Ranch LLC	Vineyards	19,827,228	0.92
19.	Costa Family Farms	Agricultural	18,891,064	0.88
20.	BLS Land Company LLC	Agricultural	18,698,770	0.87
			<u>\$697,892,957</u>	<u>32.39%</u>

⁽¹⁾ 2023-24 local secured assessed valuation: \$2,154,499,958.

Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for fiscal year 2023-24 account for 32.39% of the secured assessed value in the District which is \$2,154,499,958. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2023-24 is Pacific Wine Partners, LLC accounting for 4.39% of the total secured assessed value in the District. No other secured taxpayer accounts for more than 3.43% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 76-001 by the County within the District for fiscal years 2019-20 through 2023-24:

GONZALES UNIFIED SCHOOL DISTRICT Typical Tax Rate per \$100 Assessed Valuation (TRA 76-001)⁽¹⁾

	2019-20	2020-21	2021-22	2022-23	2023-24
General Tax Rate	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Hartnell CCD	0.035605	0.042886	0.021686	0.044324	0.033134
Gonzales USD	<u>0.044489</u>	<u>0.046321</u>	<u>0.209576</u>	<u>0.160868</u>	<u>0.110243</u>
Total	\$1.080094	\$1.089207	\$1.231262	\$1.205192	\$1.143377

⁽¹⁾ 2023-24 assessed valuation of TRA 76-001 is \$244,871,589 which is 9.81% of the District's total assessed valuation.

Source: *California Municipal Statistics, Inc.*

No Teeter Plan

The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, including the District. The District's receipt of property taxes is therefore subject to delinquencies. The following tables shows the secured tax charges and corresponding delinquencies for such taxes in the District between fiscal years 2018-19 and 2022-23.

GONZALES UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquency Rates

Fiscal <u>Year</u>	Secured <u>Tax Levy</u> ⁽¹⁾	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2018-19	\$7,896,415	\$104,859	1.33%
2019-20	8,099,600	117,163	1.45
2020-21	8,673,044	103,747	1.20
2021-22	8,851,466	103,467	1.17
2022-23	9,257,564	117,469	1.27

⁽¹⁾ Bond debt service levy only.

Source: *California Municipal Statistics, Inc.*

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Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt prepared on September 19, 2023, for debt outstanding as of September 1, 2023:

GONZALES UNIFIED SCHOOL DISTRICT Direct and Overlapping Bonded Indebtedness

2023-24 Assessed Valuation: \$2,496,383,647

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/23</u>
Hartnell Joint Community College District	6.772%	\$16,170,748
Gonzales Unified School District	100.000	3,000,000⁽¹⁾
Gonzales Unified School District School Facilities Improvement District	100.000	2,736,685
Chualar Union School District	100.000	2,930,000
Mission Union School District	100.000	145,000
Monterey County Water Resources Agency, Zone No. 2C Benefit Assessment District	2.835	<u>507,323</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$25,489,756
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Monterey County General Fund Obligations	2.835%	\$3,395,583
Monterey County Board of Education Certificates of Participation	2.835	128,539
City of Gonzales General Fund Obligations	100.000	1,823,896
Monterey County Regional Fire Protection Pension Obligation Bonds	5.031	<u>1,010,728</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$6,358,746
Less: Monterey County supported obligations		<u>80,871</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$6,277,875
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$8,265,710
 GROSS COMBINED TOTAL DEBT		\$40,114,212⁽²⁾
NET COMBINED TOTAL DEBT		\$40,033,341

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$5,736,685).....	0.23%
Total Overlapping Tax and Assessment Debt	1.02%
Gross Combined Total Debt	1.61%
Net Combined Total Debt.....	1.60%

Ratios to Redevelopment Incremental Valuation (\$507,706,674):

Total Overlapping Tax Increment Debt.....	1.63%
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⁽¹⁾ Excludes the Bonds.

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

Source: *California Municipal Statistics Inc.*

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") was implemented in stages, beginning in fiscal year 2013-14 with full implementation in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State Budget (defined below), as amended by Senate Bill 91 ("SB 91") and other legislation since initial implementation, comprise the statutory framework of the LCFF. The LCFF replaced the revenue limit funding system and many categorical programs. The LCFF distributes resources to schools through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant per unit of ADA under the LCFF is more than the average revenue limit under the prior funding system. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2023-24, the LCFF provided to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) \$10,951 per ADA for kindergarten through grade 3; (b) \$10,069 per ADA for grades 4 through 6; (c) \$10,367 per ADA for grades 7 and 8; and (d) \$12,327 per ADA for grades 9 through 12.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of a cost-of-living-adjustment ("COLA") is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2023-24, a 8.22% COLA was included. See "– State Budget Measures – 2023-24 State Budget" for information regarding the COLA for fiscal year 2023-24. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated (“Unduplicated Count”), such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals (“FRPM”) and are not discussed separately herein). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve Unduplicated Count students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of Unduplicated Count student enrollment. School districts whose Unduplicated Count student populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 65% of the applicable Base Grant multiplied by the percentage of such district’s Unduplicated Count student enrollment in excess of the 55% threshold.

ADA and Enrollment

The following table sets forth the historical ADA and enrollment for fiscal years 2015-16 through 2022-23.

GONZALES UNIFIED SCHOOL DISTRICT Historical ADA and Enrollment Fiscal Years 2015-16 through 2022-23

Fiscal Year	ADA	Enrollment
2015-16	2,297	2,423
2016-17	2,295	2,424
2017-18	2,262	2,371
2018-19	2,262	2,369
2019-20	2,234	2,356
2020-21	2,230	2,254
2021-22	1,983	2,230
2022-23	1,934	2,110

Source: *The District*.

Enrollment Trends

The District has experienced slow enrollment decline of approximately 2% per year in recent years. The changes in law which have expanded the eligibility for transitional kindergarten students has slowed such enrollment decline and the District projects minimal future declines.

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The following table sets forth the ADA, enrollment and the percentage of Unduplicated Count student enrollment for 2022-23, as budgeted for fiscal year 2023-24 and as projected for fiscal years 2024-25 and 2025-26.

GONZALES UNIFIED SCHOOL DISTRICT
ADA, Enrollment and Percentage of Unduplicated Count Enrollment
Fiscal Years 2022-23 through 2025-26

ADA							Unduplicated Count (as % of Total Enrollment)
Fiscal Year	TK-3	4-6	7-8	9-12	Total ADA	Total Enrollment	
2022-23	506.17	397.35	286.27	744.71	1,934.50	2,110	85.83%
2023-24 ⁽¹⁾	501.11	393.38	283.41	737.26	1,915.16	2,089	85.83
2024-25 ⁽²⁾	496.10	389.44	280.57	729.89	1,896.00	2,068	85.83
2025-26 ⁽²⁾	491.14	385.55	277.77	722.59	1,877.04	2,047	85.83

⁽¹⁾ Budgeted.

⁽²⁾ Projected.

Source: *The District*.

Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts, other than certain charter school districts, were held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. Additionally, due to State-wide declining enrollment trends, additional hold harmless measures have been instituted to shelter school districts from large annual revenue losses. For fiscal year 2021-22, ADA for funding purposes was based on ADA for fiscal year 2019-20. The fiscal year 2022-23 budget for the State permits schools districts, on an on-going basis, to use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures."

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's second principal apportionment ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable economic recovery target or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as "community-funded" districts (formerly, "basic aid" districts), have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community-funded school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community-funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax

growth and the local economy are the primary determinants. As of fiscal year 2023-24, the District does not qualify as community funded.

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

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

Revenue Sources

The District categorizes its general fund revenues into four sources: LCFF revenues, federal revenues, other state revenues and other local revenues. Each of these revenue sources is briefly described below.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See “- State Funding of Education – Local Control Funding Formula” above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

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

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

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

The following table presents each revenue source as a percentage of total revenues for fiscal years 2019-20 through 2023-24.

GONZALES UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source
Fiscal Years 2019-20 through 2023-24

Revenue Source	2019-20	2020-21	2021-22	2022-23 ⁽¹⁾	2023-24 ⁽²⁾
LCFF sources	81.05%	71.46%	70.54%	64.64%	74.31%
Federal revenues	3.92	12.58	7.84	7.84	9.09
Other State revenues	8.84	9.99	16.59	21.63	14.66
Other local revenues	6.19	5.97	5.04	5.88	1.95

⁽¹⁾ Unaudited Actuals for fiscal year 2022-23.

⁽²⁾ Budgeted for fiscal year 2023-24.

Source: *The District*.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are \$4.08 per square foot for residential housing and \$0.66 per square foot for commercial or industrial development. In the portion of the District comprising School Facilities Improvement District No. 1 of the Gonzales Unified School District (the “Improvement District”), the District only provides high school

education services to residents and students attend elementary schools outside of the District. Accordingly, the District shares developer fees with the local elementary school districts such that the District keeps 38% of the developer fees collected, i.e. \$1.55 per square foot for residential housing and \$0.25 per square foot for commercial or industrial development, within the portion of the District comprising the Improvement District.

The following table sets forth developer fee collections by the District for most recent last five fiscal years, including the budgeted developer fee collections for the current fiscal year.

**GONZALES UNIFIED SCHOOL DISTRICT
Developer Fee Collections**

Fiscal Year	Developer Fees Collected
2019-20	\$8,783
2020-21	24,064
2021-22	37,866
2022-23	25,392 ⁽¹⁾
2023-24	25,000 ⁽²⁾

⁽¹⁾ Unaudited Actuals for fiscal year 2022-23.

⁽²⁾ Budgeted for fiscal year 2023-24.

Source: *The District*.

COVID-19 Outbreak and its Economic Impact

In late 2019, an outbreak of COVID-19, a respiratory virus, initially occurred in China and subsequently spread globally. The global outbreak, together with measures undertaken to limit the spread of COVID-19 imposed by local and federal governments, caused volatility in financial markets as well as operating restrictions upon many businesses. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and increases in inflation as these restrictions and closures have been lifted.

Federal Response. On March 13, 2020, in response to the COVID-19 outbreak, then President Trump declared a national emergency, making available more than \$50 billion in federal resources to combat the spread of COVID-19. Contemporaneously, Congress enacted and the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) to provide relief and stimulus to American businesses and individuals impacted by COVID-19. The CARES Act also designated \$339.8 billion for state and local governments with \$274 billion for COVID-19 response efforts as well as an additional \$13 billion for K-12 schools. In order to provide extensions to certain benefits previously provided under the CARES Act, as well as address ongoing economic impacts of the COVID-19 pandemic, in December, 2020, the federal government enacted the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”) which included \$900 billion of coronavirus emergency response and relief including \$54.3 billion for K-12 schools and \$22.7 billion for higher education. In March, 2021, President Biden signed a \$1.9 trillion stimulus package (the “American Rescue Package”) into law, authorizing a third round of one-time stimulus payments for qualifying Americans, extending additional unemployment benefits, and providing \$123 billion in new, flexible aid to school districts. On January 31, 2023, the Biden Administration announced that the United States would end its COVID-19 emergency declarations on May 11, 2023.

State Response. In response to the outbreak of COVID-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency. On March 19, 2020, Governor Newsom issued an Executive Order requiring mandatory shelter-in-place for all non-essential services. In September, 2020, the Governor replaced the Executive Order with the “Blueprint for a Safer Economy” (“Blueprint”) which provided regulations for economic and social activity on a county by county basis related to certain metrics of disease transmission. The Blueprint system was terminated on June 15, 2021 and Governor Newsom ended the State of Emergency relating to COVID-19 on February 28, 2023.

As a result of the various regulations imposed in order to slow the spread of COVID-19, economic activity within the State, the County and the community around and within the District suffered episodes of recession and/or depression. Generally, a majority of the State’s general fund revenue is derived from personal income tax receipts. However, the 2021-22 State Budget (defined below) and 2022-23 State Budget (defined below) indicated increases in State revenues during the COVID-19 pandemic, although current projections for the 2023-24 State Budget forecast revenues decreasing from recent years. See “ – State Budget Measures – 2023-24 State Budget” for additional information regarding projected State revenues in fiscal year 2023-24.

Impact of COVID-19 on California School Districts

To assist school districts respond to the spread of COVID-19, on March 13, 2020, Governor Newsom issued Executive Order N-26-20, providing that school districts that initiate a school closure would continue to receive state funding to support all of the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in noncongregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. The Executive Order also provided that statutory mandated maintenance of schools for a minimum of 175 days was waived for school districts that initiated a school closure to address COVID-19.

To address the impacts of school closures and the COVID-19 response, the California legislature, in 2020, adopted legislation to appropriate \$500,000,000 from the State General Fund for any purpose related to the Governor’s declared State of Emergency. Among other things, the legislation provided that, for all school districts that complied with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, would be reported for apportionment purposes and, further, held harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak.

The District, in tandem with other school districts in the State, closed its school campuses for the remainder of the 2019-20 school year and implemented a distance learning program. The District began the 2020-21 school year with a distance learning program and began offering a hybrid model of instruction for all grades beginning in the second half of the 2020-21, when the County moved into a lower risk assessment tier under the Blueprint. The District began the 2021-22 school year offering full time in-person learning, for which the State provided grants to incentivize and assist school districts with re-opening and learning loss mitigation.

During the COVID-19 pandemic, the District received approximately \$7.4 million in aggregate relief, including funding from the CARES Act, CRRSA and the American Rescue Package. The District has used such funding for, among other things, staff training, sanitizing supplies, educational technology, mental health services, professional development, broadband connectivity, meal services for families, and learning loss staffing and plans to use additional COVID-19 funding to improve air quality and

ventilation, outdoor learning spaces, curriculum and instructional materials, and English language development and math supports.

The District cannot predict whether future COVID-19 outbreaks may occur, the extent or duration of such an outbreak, or what impact it may have on the District's General Fund revenues. However, the Bonds are general obligations of the District payable solely from *ad valorem* property taxes and are not payable from the General Fund of the District. See "SECURITY FOR THE BONDS" herein.

Budget Procedures

State Budgeting Requirements. The District is required by provisions of the Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a

positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has filed positive certifications for each of the reporting periods in the last five fiscal years.

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

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**GONZALES UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING**

	Adopted Budget 2018-19 ⁽¹⁾	Audited Actuals 2018-19 ⁽²⁾	Adopted Budget 2019-20 ⁽¹⁾	Audited Actuals 2019-20 ⁽²⁾	Adopted Budget 2020-21 ⁽¹⁾	Audited Actuals 2020-21 ⁽²⁾	Adopted Budget 2021-22 ⁽¹⁾	Audited Actuals 2021-22 ⁽²⁾	Adopted Budget 2022-23 ⁽¹⁾	Unaudited Actuals 2022-23	Adopted Budget 2023-24 ⁽¹⁾
REVENUES											
LCFF Sources	\$25,645,378	\$25,624,032	\$26,232,034	\$26,493,649	\$24,096,109	\$25,969,815	\$27,708,706	\$29,766,187	\$30,321,639	\$31,999,723	\$33,779,701
Federal	1,899,059	1,899,646	1,633,598	1,280,062	1,765,065 ⁽³⁾	4,570,834 ⁽³⁾	1,517,939 ⁽³⁾	3,306,955 ⁽³⁾	2,052,921 ⁽³⁾	3,881,895	4,130,653
Other State	2,778,782	3,865,885	2,317,125	2,890,445	2,370,599 ⁽³⁾	3,629,427 ⁽³⁾	3,678,527 ⁽³⁾	7,000,766 ⁽³⁾	4,513,982 ⁽³⁾	10,708,747	6,663,515
Other Local	<u>1,318,856</u>	<u>1,917,395</u>	<u>1,452,396</u>	<u>2,022,358</u>	<u>1,924,347</u>	<u>2,172,109</u>	<u>1,510,762</u>	<u>2,125,578</u>	<u>1,990,698</u>	<u>2,912,310</u>	<u>884,844</u>
Total Revenues	31,642,075	33,306,958	31,635,153	32,686,514	30,156,120	36,342,185	34,375,934	42,199,486	38,879,240	49,502,675	45,458,713
EXPENDITURES											
Current											
Certificated Salaries	13,141,293	13,089,294	12,575,680	11,679,270	11,534,404	12,065,000	12,070,525	14,020,898	14,851,317	14,657,399	15,938,538
Classified Salaries	4,719,937	4,700,235	4,799,919	4,745,437	4,708,404	4,434,706	5,046,239	5,650,055	5,948,351	6,784,058	7,228,457
Employee Benefits	8,446,561	9,066,228	8,470,520	8,357,651	8,239,650	7,633,496	8,495,897	8,028,302	9,868,413	9,858,137	11,441,659
Books and Supplies	1,149,199	1,930,477	1,866,974	1,352,670	1,201,368	2,496,744	1,775,779	2,398,104	1,887,882	3,009,103	10,091,469
Services, Other											
Operating Expenses	2,687,194	2,938,197	3,151,581	2,816,500	2,467,922	2,557,998	2,732,548	3,209,110	3,073,547	4,373,313	4,681,142
Other Outgo	1,858,065	1,682,415	1,842,535	1,790,819	2,005,410	1,044,266	2,050,000	1,806,831	1,923,721	1,982,232	1,666,759
Capital Outlay	1,596,600	2,604,224	510,000	206,973	224,307	484,661	<u>212,606</u>	180,157	625,469	974,588	742,700
Other Outgo –											
Transfers of Ind. Costs	--	--	(115,769)	--	(115,454)	--	(101,336)	(94,607)	(117,277)	(99,314)	(117,277)
Total Expenditures	33,598,849	36,011,070	33,101,440	30,949,320	30,266,011	30,716,871	32,282,258	35,198,850	38,061,423	41,539,455	51,673,447
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(1,956,774) ⁽⁴⁾	(2,704,112) ⁽⁴⁾	(1,466,287) ⁽⁴⁾	1,737,194	(109,891)	5,625,314	2,093,676	7,000,636	817,817	7,963,220	(6,214,734) ⁽⁴⁾
OTHER FINANCING SOURCES (USES)											
Transfers in	--	--	--	--	--	--	--	--	--	--	--
Transfers out	(248,390)	(121,251)	102,522	(102,522)	(101,925)	--	(168,946)	(120,000)	(154,324)	(1,875,412)	(1,004,561)
Net Financing Sources/(Uses)	(248,390)	(121,251)	(102,522)	(102,522)	(101,925)	--	(168,946)	(120,000)	(154,324)	(1,875,412)	(1,004,561)
NET CHANGE IN FUND BALANCE	(2,205,164)	(2,825,363)	(1,588,809)	1,634,672	(106,293)	5,625,314	1,924,730	6,880,636	663,493	6,087,808	(7,219,295)
Fund Balance, July 1	9,614,078	9,614,078	5,147,684	6,788,715	7,007,087	8,423,387	15,266,323	14,048,701	18,737,899	20,123,037 ⁽⁵⁾	24,733,414
Fund Balance, June 30	\$7,408,914	\$6,788,715	\$3,578,875	\$8,423,387	\$6,795,271	\$14,048,701	\$17,191,053	\$20,929,337	\$19,401,392	\$26,210,845	\$17,514,119

⁽¹⁾ From the adopted budgets of the District for the stated fiscal year.

⁽²⁾ From the audited financial statements of the District for the stated fiscal year.

⁽³⁾ Includes one-time COVID-relief funds received under the CARES Act, CRRSA or the American Rescue Package, as applicable to the particular category of revenues.

⁽⁴⁾ Prior to full implementation of the LCFF, the District experienced budget imbalances resulting in deficit spending which resolved subsequent to full funding under LCFF.

⁽⁵⁾ Budgeted deficit spending is a result of the expenditure of prior year unspent revenues in accordance with the Board policy as to reserves, as well as expenditure of one-time funds.

⁽⁶⁾ Fund balance includes an audit adjustment decrease of \$806,297 resulting from re-sizing of the Unduplicated Count for fiscal year 2022-23.

Source: *The District.*

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2022 and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 600 Elko Street, P.O. Box G, Gonzales, California 93926. See APPENDIX B hereto for the 2021-22 Audited Financial Statements of the District.

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

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GONZALES UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2018-19 through 2021-22

	2018-19 Audit	2019-20 Audit	2020-21 Audit	2021-22 Audit
REVENUES				
LCFF Sources	\$25,624,032	\$26,493,649	\$25,969,815	\$29,656,187
Federal Revenues	1,899,646	1,280,062	4,570,834 ⁽¹⁾	3,187,548 ⁽¹⁾
Other State Revenues	3,865,885	2,890,445	3,629,427 ⁽¹⁾	7,000,766 ⁽¹⁾
Other Local Revenues	<u>1,917,395</u>	<u>2,022,358</u>	<u>2,172,109</u>	<u>1,643,411</u>
Total Revenues	33,306,958	32,686,514	36,342,185	41,487,912
EXPENDITURES				
Instruction	18,736,992	16,848,402	16,456,065	18,360,345
Instruction-Related Services:				
Supervision of Instruction	1,976,807	1,512,810	1,429,267	2,195,391
Instructional library, media & tech	172,587	237,220	226,559	696,917
School site administration	2,023,148	1,913,625	1,873,968	2,013,987
Pupil Services:				
Home-to-school transportation	1,373,481	1,129,995	862,294	1,253,634
Food Services	35,748	--	--	--
All other pupil services	1,931,170	2,032,747	1,905,806	2,479,644
General Administration:				
Data processing	632,637	326,457	2,056,624	638,799
All other administration	2,993,450	2,748,785	2,923,330	3,468,497
Plant Services	2,023,855	2,228,523	1,852,187	2,215,193
Facilities Acquisition and Construction	2,310,595	108,452	9,975	202,688
Ancillary Services	1,083	1,539	--	4,776
Community Services	--	--	--	66,871
Transfers to Other Agencies				1,806,831
Other Outgo	<u>1,799,517</u>	<u>1,860,765</u>	<u>1,120,796</u>	<u>--</u>
Total Expenditures	36,011,070	30,949,320	30,716,871	35,403,573
Excess (Deficiency) of Revenues Over Expenditures	(2,704,112) ⁽²⁾	1,737,194	5,625,314	6,084,339
OTHER FINANCING SOURCES/USES				
Transfers in	--	--	--	--
Transfers out	<u>(121,251)</u>	<u>(102,522)</u>	<u>--</u>	<u>(10,000)</u>
Net Financing Sources (Uses)	(121,251)	(102,522)	--	(10,000)
NET CHANGE IN FUND BALANCES	(2,825,363)	1,634,672	5,625,314	6,074,339
Fund Balance at Beginning of Year	9,614,078	6,788,715	8,423,387	14,048,701
Fund Balance at End of Year	\$6,788,715	\$8,423,387	\$14,048,701	\$20,123,040

⁽¹⁾ Includes one-time COVID-relief funds received under the CARES Act, CRRSA or the American Rescue Package, as applicable to the particular category of revenues.

⁽²⁾ Prior to full implementation of the LCFF, the District experienced budget imbalances resulting in deficit spending which resolved subsequent to full funding under LCFF.

Source: *The District*.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information.

2022-23 State Budget. Governor Newsom signed legislation which enacted the budget for the State for fiscal year 2022-23 (the "2022-23 State Budget") on June 30, 2022. The 2022-23 State Budget projected approximately \$219.7 billion in general fund revenues with a prior year balance of \$22.5 billion for total resources of \$242.2 billion, and \$234.4 billion in expenditures for fiscal year 2022-23. For fiscal year 2021-22, the 2022-23 State Budget estimated \$265.4 billion in resources and \$242.9 billion in expenditures. The 2022-23 State Budget projected \$37.2 billion in reserves including \$23.3 billion in the Budget Stabilization Account (the "BSA") for fiscal emergencies, \$900 million in the Safety Net Reserve, \$9.5 billion in the Public School Stabilization Account (the "PSSSA"), and an estimated \$3.5 billion in the State's operating reserve. The BSA is at its constitutional maximum (10% of general fund revenues) requiring \$465 million to be dedicated for infrastructure investments in fiscal year 2022-23. Over the multi-year forecast period, the 2022-23 State Budget reflected \$8 billion in supplemental deposits split evenly between the BSA and the Safety Net Reserve. As a result of the deposits to the PSSSA, the 10% cap on school district reserves was projected to be applicable in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein for more information regarding school district reserves.

The 2022-23 State Budget prioritized one-time spending over ongoing spending, allocating 93% of discretionary funds to one-time spending. The 2022-23 State Budget provided an over \$17 billion broad-based relief package, including a refund of up to \$1,050 to benefit millions of Californians based on income level and the size of household. The relief package also included increased grants for the State's lowest income families and individuals, and additional funding for food banks.

The 2022-23 State Budget also addressed environmental matters facing California. The 2022-23 State Budget included \$1.2 billion to advance wildfire prevention and forest resilience investments and funded an additional 1,265 new positions to expand the State's wildfire response capacity. \$1.2 billion was included for immediate drought support with an additional \$1.5 billion deferred for allocation for long-term water resilience. The 2022-23 State Budget also allocated \$4.3 billion to provide energy reliability insurance through the development of a strategic reserve, protection to ratepayers, and accelerated deployment of clean energy projects, with an additional \$3.8 billion deferred for allocation in the summer of 2022 to further reliability and affordability and accelerate the State's clean energy future.

With respect to K-12 education, the 2022-23 State Budget included total funding of \$128.6 billion (\$78.6 billion general fund and \$50 billion other funds) for all K-12 education programs. The 2022-23 State Budget estimated Proposition 98 funds of \$96.1 billion in fiscal year 2020-21, \$110.2 billion in fiscal year 2021-22, and \$110.4 billion in fiscal year 2022-23 for K-14 education programs. For K-12 schools, the results was Proposition 98 per pupil spending of \$16,993 in 2022-23, a \$3,017 increase over

the fiscal year 2021-22 per pupil spending levels. Additionally, in the same period, per pupil spending from all sources increased to \$22,893 under the 2022-23 State Budget.

The 2022-23 State Budget included an LCFF COLA of 6.56%. Additionally, the 2022-23 State Budget included \$4.32 billion ongoing Proposition 98 funds to increase LCFF base funding by an additional 6.28%. The 2022-23 State Budget also included \$101.2 million ongoing Proposition 98 funds to augment LCFF funding for county offices of education.

To support school districts with a declining student population, the 2022-23 State Budget provided that school districts might use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enabled school districts that can demonstrate they provided independent study offerings during fiscal year 2021-22 to be funded at the greater of their current year ADA or their current year enrollment adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year. The 2022-23 State Budget included \$2.8 billion of ongoing funding under Proposition 98 and \$413 million in one-time funding under Proposition 98 to implement these school fiscal stabilization policies.

Additional significant provisions of the 2022-23 State Budget relating to K-12 education included the following:

- *Learning Recovery Emergency Fund* – \$7.9 billion in one-time Proposition 98 funds to support learning recovery initiatives through the 2027–28 school year.
- *Arts, Music, and Instructional Materials Discretionary Block Grant* – \$3.6 billion one-time Proposition 98 funds for arts and music programs, standards-aligned professional development, instructional materials, developing diverse book collections, operational costs, and expenses related to the COVID-19 Pandemic.
- *Expanded Community School Model* – \$1.1 billion in Proposition 98 funds to expand the community school model and provide grants for high needs schools in communities with high levels of poverty.
- *Educator Workforce* – \$48.1 million for training and retention of well-prepared educators including waiving certain teacher examination fees, grants for integrated teacher preparation programs and operations support for the Commission on Teacher Credentialing.
- *Teacher and School Counsel Residencies* – \$250 million one-time Proposition 98 funds to expand residency slots for teachers and school counselors and eligibility for the Golden State Teacher Grant Program.
- *Educator Support for Science, Technology, Engineering, and Mathematics (STEM) Instruction* – \$85 million one-time Proposition 98 funds for the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.
- *State Preschool* – \$312.7 million in Proposition 98 funds and \$172.3 million in other funds to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health, \$250 million one-time Proposition 98 funds to support the Inclusive Early Education Expansion Program, \$300 million one-time Proposition 98 funds for planning and implementation grants, \$166.2 million Proposition 98 funds to support the full-year

costs of State preschool rate increases and \$148.7 million one-time funds to maintain reimbursement rate increases.

- *Transitional Kindergarten* – \$614 million in Proposition 98 funds for the first year of expanded eligibility for transitional kindergarten and \$383 million Proposition 98 funds to add one additional staff person to every transitional kindergarten class.
- *Expanded Learning Opportunities Program* – \$3 billion Proposition 98 funds to accelerate expanded-day, full-year instruction and enrichment focused on school districts with the highest concentrations of low-income students, English language learners, and youth in foster care.
- *Community Engagement Initiative* – \$100 million in Proposition 98 funds to further positive relationship building between school districts and local communities.
- *Special Education* – \$500 million in Proposition 98 funds for the special education funding formula, amending the special education funding formula to calculate special education base funding allocations at the local educational agency level, and consolidating the special education extraordinary cost pools into a single cost pool to simplify the current funding formula.
- *College and Career Pathways* – \$500 million in Proposition 98 funds to support the development of pathway programs focused on technology, health care, education, and climate-related fields and \$200 million in Proposition 98 funds to strengthen and expand student access and participation in dual enrollment opportunities.
- *Home-to-School Transportation* – \$637 million in Proposition 98 funds to reimburse school districts for up to 60% of their transportation costs in the prior year.
- *Zero Emission School Buses* – \$1.5 billion in Proposition 98 general funds for greening school bus fleets.
- *Nutrition* – \$596 million in Proposition 98 funds for universal subsidized school meals, \$611.8 million in Proposition 98 funds to augment the state meal reimbursement rate, \$600 million in Proposition 98 funds for school kitchen infrastructure upgrades and equipment, food service employee training, and compensation related to serving fresh, minimally processed California-grown foods, and \$100 million in Proposition 98 funds for procurement practices for plant-based, restricted diet meals, California-grown or California-produced, sustainably grown, or whole or minimally processed foods, or to prepare meals fresh onsite.
- *K-12 School Facilities* – Approximately \$1.4 billion in Proposition 51 funds for school construction projects as well as \$1.3 billion in fiscal year 2021-22, \$2.1 billion in fiscal year 2023-24 and \$875 million in fiscal year 2024-25 for new construction and modernization projects, and \$100 million in fiscal year 2021-22 and \$550 million in fiscal year 2023-24 for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

2023-24 State Budget. The fiscal year 2023-24 budget for the State (“2023-24 State Budget”) was passed by the State legislature on June 15, 2023. On June 28, 2023, the Governor signed Senate Bill 101, the State Budget Act of 2023 and on July 10, 2023, the Governor signed additional trailer bills, including Senate Bill 114 and Senate Bill 115, forming the complete substantive agreement of the 2023-24 State Budget. The 2023-24 State Budget, for the first time in several years, foresees a downturn in revenues and addresses an approximate \$31.7 billion budget shortfall. A balanced budget is accomplished

through spending reductions and pullbacks of previously planned spending, delays in spending, fund shifts, alternative revenues and borrowing and a withdrawal from the Safety Net Reserve.

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

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

The LCFF under the 2023-24 State Budget receives a COLA of 8.22%, the largest COLA since the implementation of the LCFF. The 2023-24 State Budget includes \$300 million ongoing Proposition 98 funds to establish an equity multiplier as an add-on to the LCFF to augment resources for the highest-need schools in the State.

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

- *Literacy* — \$250 million one-time Proposition 98 funds to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches and reading specialists. Requires screening of students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year and provides \$1 million to convene a panel to create a list of approved screening instruments.
- *State Pre-School* — (1) \$343.1 million Proposition 98 funds and \$20,000 non-Proposition 98 funds from the 2022-23 fiscal year, (2) \$369.3 million Proposition 98 funds and \$126.1 million General Fund from the 2023-24 fiscal year, and (3) \$445.7 million Proposition 98 funds and \$186.5 million General Fund from the 2024-25 fiscal year. Suspends the annual COLA applicable to the State Preschool Program in fiscal years 2023-24 and 2024-25. Revises the family fee schedule for the State Preschool Program beginning October 1, 2023, to: (1) limit family fees to one percent of a family's monthly income, and (2) prohibit the assessment of a fee for families with an adjusted monthly income below 75% of the state median income. Authorizes State Preschool Program family fee debt that accrued but remained uncollected prior to October 1, 2023 to be forgiven.
- *Educator Workforce* — \$10 million one-time Proposition 98 funds for grants to provide culturally relevant support and mentorship for educators to become school administrators.
- *Transitional Kindergarten* — \$357 million ongoing Proposition 98 funds to support the first year of expanded eligibility for TK and \$283 million Proposition 98 funds to support the first year of adding one additional certificated or classified staff person to every TKtk class, \$597 million

ongoing Proposition 98 funds to support the second year (2023-24 school year) of expanded eligibility for transitional kindergarten and \$165 million Proposition 98 funds to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class.

- *Arts, Music, and Instructional Materials Discretionary Block Grant* — Decreases one-time Proposition 98 fund for the grant by \$200 million, reducing total one-time program support from approximately \$3.5 billion to approximately \$3.3 billion. The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) will provide approximately \$938 million ongoing Proposition 98 General Fund beginning in fiscal year 2023-24.
- *Learning Recovery Emergency Block Grant* — Delays approximately \$1.1 billion one-time Proposition 98 funds for the Learning Recovery Emergency Block Grant to fiscal years 2025-26, 2026-27, and 2027-28.
- *Zero-Emission School Buses* — Delays \$1 billion one-time Proposition 98 funds to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to fiscal years 2024-25 and 2025-26.
- *California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program* — Delays planned fiscal year 2023-24 \$550 million investment to fiscal year 2024-25.
- *School Facility Program* — Approximately \$2 billion one-time General Fund to support the School Facility Program in fiscal year 2023-24.
- *Nutrition* — Additional \$154 million ongoing Proposition 98 funds and an additional \$110 million one-time Proposition 98 funds to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.
- *Bipartisan Safer Communities Act, Stronger Connections Program* — \$119.6 million one-time federal funds to support LEA activities related to improving school climate and safety through the Stronger Connections Program.
- *Charter School Facility Grant Program* — one-time investment of \$30 million Proposition 98 funds to support eligible facilities costs, consistent with the 2022-23 State Budget.
- *Bilingual Teacher Professional Development Program* — \$20 million one-time Proposition 98 funds, to be available through fiscal year 2028-29 fiscal year.
- *Commercial Dishwasher Grants* — \$15 million one-time Proposition 98 funds to support grants to acquire and install commercial dishwashers.
- *Restorative Justice Practices* — \$7 million one-time Proposition 98 funds to provide support for local educational agencies opting to implement certain restorative justice best practices.
- *Golden State Teacher Grant Program* — \$6 million one-time federal funds to support grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at a high-need school site.
- *K-12 High Speed Network* — \$3.8 million ongoing Proposition 98 funds to support the K-12 High Speed Network program.

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

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will, in the future, take further measures which would, in turn, adversely affect the District. Further State actions taken to address any budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions. See also “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” for a discussion of COVID-19 and its impact on the State economy.

The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the

voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of principal of and interest on the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

Property Tax Base Transfer Constitutional Amendment. On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment. Proposition 19: (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Legislation Implementing Article 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 annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the County by SBE, taxed at special county-wide rates, and the tax revenues

distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction of assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIII B of the California Constitution

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

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

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

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

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

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

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

if a school district's revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “–Proposition 98” and “–Proposition 111” below.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), 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 and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article 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 one percent *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.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations,

inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Proposition 98

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in California per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’ base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for “qualified capital outlay projects” as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendment may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California (the "Controller")). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

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

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in

excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its property tax apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired at the end of 2016.

Proposition 51

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (“Proposition 51”) was a voter initiative that was approved by voters in the State on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual state budget process.

The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 (“Proposition 2”), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the BSA. From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an

earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the PSSSA which serves as a reserve account for school funding in years when the State budget is smaller. See “DISTRICT FINANCIAL INFORMATION - State Budget Measures – 2023-24 State Budget” herein for information regarding the deposit of funds to the PSSSA in fiscal years 2020-21, 2021-22 and 2022-23.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in fiscal year 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state’s minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district’s ending fund balances if a certain amount of funds is available in the PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see “– Proposition 98”), a school district’s adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. On June 30, 2023, the District had an unassigned reserve for economic uncertainties of \$1,590,000.00 (unaudited), equal to 3.67% of general fund expenditures and other financing uses. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District’s current policies on reserves.

Proposition 28. On November 8, 2022, voters approved The Arts and Music in Schools Funding Guarantee and Accountability Act which provides additional funding for arts and music education in all K–12 public schools (including charter schools) by annually allocating from the State general fund an amount equal to 1% of total State and local revenues received by public schools in the preceding fiscal year under Proposition 98. Amounts provided under Proposition 28 are in addition to and not considered a part of the Proposition 98 guarantee. Funds appropriated under Proposition 28 are to be allocated 70% based on a school district’s share of Statewide enrollment and 30% based on such school district’s share of Statewide enrollment of economically disadvantaged students and must be distributed to school sites following such allocation. School districts must expend funds received pursuant to Proposition 28 within three years or such funds revert to CDE for reallocation under Proposition 28.

As a condition to receipt of funds under Proposition 28, school districts must certify that funds are to be used for arts education and that funds received in the prior fiscal year were, in fact, used for those purposes. Additionally, no more than 1% of Proposition 28 funds may be used for administrative purposes in implementing Proposition 28 programs. Schools with 500 or more students must certify that at least 80% of the funding is to be used to employ teachers and that the remainder will be spent on training, supplies, and education partnerships. Amounts appropriated under Proposition 28 in a given year may be reduced if the State legislature suspends the Proposition 98 guarantee but only in an amount equal to the percent reduction of the Proposition 98 guarantee. See ‘DISTRICT FINANCIAL INFORMATION- State Budget Measures- Proposed 2023-24 State Budget’ for information regarding Proposition 28 in the Proposed 2023-24 State Budget.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98, 111 and 28 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

GONZALES UNIFIED SCHOOL DISTRICT

Introduction

The District was formed in 1997 with the unification of the Gonzales Union High School District (established in the 1890s) and the Gonzales Union Elementary School District (established in the 1920s). The Mission School District and the Chualar Union School District were not part of the unification but are feeder elementary school districts to the District’s high school, providing educational services for students in grades K-8. The District comprises approximately 90 square miles in the County, including the City and unincorporated areas of the County. The District is located in the northeastern part of the County, approximately 15 miles south of Salinas and is traversed north/south by Highway 101. The District currently provides education services in one elementary school providing transitional kindergarten through fifth grade, one middle school providing sixth through eighth grade, one high school providing ninth through twelfth grade and an adult evening school.

Board of Education

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

GONZALES UNIFIED SCHOOL DISTRICT Board of Education

Name	Office	Term Expires December
Araceli Flores	President	2026
Cesar Ayon	Clerk	2024
Maria Cuevas	Member	2026
Melissa Morales	Member	2024
Janet Pacheco	Member	2024

Source: *The District*.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Gonzales Unified School District, 600 Elko Street, P.O. Box G, Gonzales, California 93926, Attention: Superintendent. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of the District and brief biographies of certain District administrators follow.

Name	Title
Matilde Zamora, Ed.D.	Superintendent
Joannie Lumbra	Assistant Superintendent of Business /Chief Business Official
Pamela Gildersleeve-Hernandez	Interim Assistant Superintendent of Educational Services

Matilde Zamora, Ed.D. – Superintendent. Superintendent Dr. Zamora has served as Superintendent of the District since July, 2022. Dr. Zamora has more than 20 years’ experience as a school administrator. She received her Bachelor’s Degree and Master’s Degree from California State University, Los Angeles, and a Doctorate in Education from University of Southern California.

Employees and Labor Relations

The District employs approximately 114 full-time equivalent (“FTE”) certificated academic professionals and approximately 131 FTE classified employees.

The certificated employees of the District have assigned the Gonzales Teachers’ Association (“GTA”) as their exclusive bargaining agent and the contract between the District and GTA expires on June 30, 2025.

The classified employees have assigned California School Employees Association, Chapter 756 (“CSEA”) as their exclusive bargaining agent. The contract among the District and CSEA expired June 30, 2022. By operation of law, the parties continue to operate under the expired contract until a new contract is negotiated.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. For fiscal year 2023-24, the District is currently required by such statutes to contribute 19.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.828% of teacher payroll for fiscal year 2023-24. The State’s contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, over the three year period from 2014-15 through 2017-18. The State’s total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 by June 30, 2046, which is premised upon an actuarially assumed earnings rate of 7.00%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to AB 1469, school districts’ employer contribution rates increased over a seven-year phase-in period beginning in fiscal year 2014-15 through fiscal year 2019-20 when employer contribution rates reached 16.15% (including certain reductions in the contribution rate for supplemental payments made by the State in fiscal years 2019-20 and 2020-21.)

Subsequent to the increases to the school district’s contribution rates to STRS, AB 1469 requires that for 2021-22 and each fiscal year thereafter, STRS adjust the school districts’ contribution rate to reflect the rate required to eliminate the unfunded liability by July 1, 2046. The 2020-21 State Budget applied certain funds in fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school districts’ then-current obligations to STRS to reduce the school district’s contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-22 from 17.9% to 16.02%.

The District contributed to STRS \$1,941,999 for fiscal year 2019-20, \$1,847,647 for fiscal year 2020-21, \$1,878,254 for fiscal year 2021-22 and \$3,759,854 (unaudited) for fiscal year 2022-23. Such

contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution to STRS of \$4,168,992 for fiscal year 2023-24. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 26.68% of eligible salary expenditures for fiscal year 2023-24, while participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries and those enrolled subsequent to January 1, 2013 contribute 8.00%. See "– California Public Employees' Pension Reform Act of 2013" below.

On April 19, 2017, the Board of Administration of PERS ("PERS Board") adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the PERS Board in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board. See "DISTRICT FINANCIAL INFORMATION - State Funding of Education" herein.

On April 18, 2022, the PERS Board set the fiscal year 2022-23 employer contribution rate at 26.37%. The PERS Board also approved an increase in the employee contribution rate for members subject to the Reform Act (defined below) from 7.00% of earnings to 8.00% of earnings for fiscal year 2022-23. From the Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which is PERS' first negative return on investments since fiscal year 2008-09. The negative 7.5% net return on investments is less than the assumed annual rate of return on investments of 6.80%. Most recently, on April 17, 2023, the PERS Board set the fiscal year 2023-24 employer contribution rate at 26.68% and maintained the employee contribution rate for members subject to the Reform Act (defined below) at 8.00%.

PERS estimates future employer contribution rates as follows:

<u>Fiscal Year</u>	<u>Projected Employer Contribution Rates (PERS Actuarial Report)</u>
2024-25	27.70%
2025-26	28.30
2026-27	28.70
2027-28	30.00
2028-29	29.80

The projected rates reflect the preliminary investment loss for fiscal year 2021-22 described above. Projected rates also reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers.

The District contributed to PERS \$965,862 for fiscal year 2019-20, \$962,199 for fiscal year 2020-21, \$1,231,701 for fiscal year 2021-22 \$1,510,280 (unaudited) for fiscal year 2022-23, which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution to PERS of \$1,877,692 for fiscal year 2023-24.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2022.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation
(Dollar Amounts in Millions)⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Market Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$ 116,982	\$ 79,8736	\$ (37,596)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	346,089	283,340	(80,803)

⁽¹⁾ Amounts may not add due to rounding.

Source: *PERS State & Schools Actuarial Valuation*; *STRS Defined Benefit Program Actuarial Valuation*.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See “ – California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than

actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2022, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	\$9,283,087
PERS	<u>6,551,306</u>
Total	\$15,834,393

Source: *The District*.

For further information about the District's contributions to PERS and STRS, see Note 10 in the District's audited financial statements for fiscal year ended June 30, 2022 attached hereto as APPENDIX B.

School districts' retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District's contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to financial market conditions such as recession or resulting from the outbreak of COVID-19. See also "DISTRICT FINANCIAL INFORMATION – COVID 19 Outbreak and its Economic Impact" herein for information regarding the outbreak of COVID-19.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which the District implemented in fiscal year 2014-15.

The District does not provide retiree employment benefits other than pensions to current employees.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. The District contracts with Keenan & Associates for property and liability insurance coverage.

The District is a member of two joint powers authorities, Monterey County Schools Insurance Group ("MCSIG"), which arranges for and provides medical, dental, vision and life insurance for its member school districts and Monterey Educational Risk Management Authority ("MERMA") which provides workers compensation insurance. The relationship between the District and MCSIG and MERMA is such that the joint powers authorities are not a component unit of the District for financial reporting purposes.

Cyber Security

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers recently approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks. The District is not aware of any major cybersecurity attack or breach of its systems during the last five years. To protect itself from cybersecurity attacks, the District utilizes firewalls, anti-virus and anti-malware software, and provides cybersecurity training to District employees. In addition, the District has an informal general technology use policy. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains a policy of cyber liability insurance. There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

District Debt Structure

Long-Term Debt. A schedule of the District's changes in long-term debt for the year ended June 30, 2022 is shown below:

GONZALES UNIFIED SCHOOL DISTRICT Long-Term Debt Fiscal year ended June 30, 2022

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
General Obligation Bonds	\$7,290,884	--	\$ 132,064	\$7,158,820	\$1,847,288
Unamortized Premium	259,632	--	71,879	187,753	71,879
Accreted Interest	4,991,211	\$229,912	507,936	4,713,187	--
Total General Obligation Bonds	12,541,727	229,912	711,879	12,059,760	1,919,167
Early Retirement Incentive	818,894	--	204,723	614,171	204,723
Compensated Absences	--	60,584	--	60,584	--
Net Pension Liability	<u>30,820,413</u>	<u>--</u>	<u>14,986,020</u>	<u>15,834,393</u>	<u>--</u>
Total	\$44,181,034	\$290,496	\$15,902,622	\$28,568,908	\$2,123,890

Source: *The District.*

General Obligation Bonds. In November, 2000, the Board received authorization to issue \$6,800,000 aggregate principal amount of general obligation bonds (the “2000 Authorization”) within its School Facilities Improvement District No. 1 (the “Improvement District”). In August 2000, the District issued, on behalf of the Improvement District, its General Obligation Bonds, 2000 Election, Series 2000A (the “2000 Series A Bonds”) in the initial principal amount of \$4,293,058. In August 2007, the District issued, on behalf of the Improvement District, its General Obligation Bonds, 2000 Election, Series 2007B (the “2007 Series B Bonds”) in the initial principal amount of \$2,498,881. No further general obligation bonds remain for issuance under the 2000 Authorization.

On November 3, 2020, the District received authorization to issue \$37,000,000 aggregate principal amount of general obligation bonds (the “2020 Authorization”) of the District. On May 20, 2021, the District issued its General Obligation Bonds, 2020 Election, 2021 Series A under the 2020 Authorization in the principal amount of \$2,675,000. On May 24, 2023, the District issued its General Obligation Bonds, 2020 Election, 2023 Series B under the 2020 Authorization in the principal amount of \$3,000,000. The Bonds will be the third series of general obligation bonds issued under the 2020 Authorization. Following the issuance of the Bonds, \$23,325,000 principal amount of general obligation bonds will remain for issuance under the 2020 Authorization.

The District also received authorization on November 3, 2020 to issue \$24,500,000 aggregate principal amount of general obligation bonds (the “SFID Authorization”) on behalf of the Improvement District. On May 20, 2021, the District issued, on behalf of the Improvement District, its General Obligation Bonds, 2020 Election, 2021 Series A issued under the SFID Authorization in the principal amount of \$1,500,000 (the “SFID Series A Bonds”). \$23,000,000 principal amount of general obligation bonds remain for issuance under the SFID Authorization.

Certificates of Participation. The District has no certificates of participation outstanding.

Short-Term Debt. As of June 30, 2023, the District did not have any short-term debt outstanding. The District does not expect to issue any tax and revenue anticipation notes in fiscal year 2023-24.

MONTEREY COUNTY POOLED INVESTMENT FUND

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

The County Board of Supervisors approved the current County Investment Policy Statement (the “Investment Policy”) effective July 25, 2023. See APPENDIX E – “MONTEREY COUNTY INVESTMENT POLICY STATEMENT.” The Investment Policy applies to all funds managed by the Treasurer as delegated by the County Board of Supervisors. The objective of the Investment Policy is to obtain the highest feasible return consistent with a high degree of safety of principal and the level of liquidity necessary to meet the needs of the County and the agencies participating in the Pooled Investment Fund. In that regard, safety and liquidity sufficient to meet cash flow needs are of primary concern. Under the Investment Policy, return is secondary and subordinate to safety and liquidity in making investment decisions.

Under California law, the District is required to pay all monies received from any source into the Monterey County Treasury to be held on behalf of the District. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Pooled Investment Fund are made by the Treasurer and his deputies in accordance with established policy guidelines. In the County, investment decisions are governed by Government Code Sections 53601 and 53635, *et seq.*, which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant. See APPENDIX E hereto for the Monterey County Investment Policy.

**MONTEREY COUNTY
POOLED INVESTMENT FUND
REPORT FOR THE MONTH ENDED SEPTEMBER 30, 2023**

Fund Name	Par Value	Market Value
Certificates of Deposit	\$33,000,000.00	\$32,906,610.00
Money Market Accounts	9,511,509.29	9,511,509.29
State Pool	996,930.10	996,930.10
CalTRUST/California Asset Management Program	452,897,845.14	452,897,845.14
Sweep Account	1.00	1.00
Sweep Account – Custom	28,347.24	28,347.24
Medium Term Notes	604,949,000.00	577,641,520.18
Negotiable CDs	25,000,000.00	24,977,500.00
Commercial Paper	270,716,000.00	264,335,528.72
Fed Agency Coupon	393,040,000.00	380,591,920.25
Federal Agency Discount	23,750,000.00	23,578,050.00
US Treasury Note	1,093,610.00	1,050,027,142.35
Negotiable CDs	15,470,000.00	15,475,844.10
Supranationals	37,575,000.00	36,840,601.50
Asset Backed Security	195,000.00	184,973.10
Municipal Bonds	1,065,000.00	997,864.00
Total	\$2,961,795,632.77	\$2,870,992,186.97

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current County Investment Policy. The value of the various investments in the Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, after a review by the Committee and approval by the County Board of Supervisors may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pooled Investment Fund will not vary significantly from the values described therein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 9 months following the end of the District’s fiscal year (currently ending June 30), which date would be March 31, commencing with the report for the 2022-23 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District will enter into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Within the last five years, the District failed to timely file certain information required to be filed in its annual report for fiscal years 2017-18, 2018-19 and 2019-20. In connection with such filings, the District timely filed notices of failures to file on EMMA and, when the required information became available (i) updated each annual report to include all required information and (ii) filed each updated annual report on EMMA. The District has engaged Dale Scott & Company to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge. A form of Bond Counsel’s opinion with respect to the Bonds is attached hereto as APPENDIX A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Stradling Yocca Carlson & Rauth, a Professional Corporation is acting as counsel to the Underwriter (“Underwriter’s Counsel”). Bond Counsel, Disclosure Counsel, and Underwriter’s Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County’s Investment Pool, as described in APPENDIX E – “MONTEREY COUNTY INVESTMENT POLICY STATEMENT” attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the District’s Interest and Sinking Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code, (2) will not be included in computing alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals, and (3) will be taken into account in determining adjusted financial statement income for the alternative minimum tax imposed on certain corporations. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel’s anticipated opinion respecting the Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the “Tax Certificate”) of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and

will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (“IRS” or the “Service”) or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds

The initial public offering price of certain of the Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder’s basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under “TAX MATTERS.” Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of

accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the “Premium Bonds”), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as APPENDIX A.

LEGALITY FOR INVESTMENT

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

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA-" to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

UNDERWRITING

Oppenheimer & Co. Inc. (the "Underwriter") has agreed to purchase the Bonds pursuant to the terms of a bond purchase agreement by and between the District and the Underwriter ("Purchase Agreement") at the purchase price of \$8,906,221.75 (reflecting the principal amount of the Bonds plus original issue premium in the amount of \$949,165.75 less an Underwriter's discount of \$42,944.00), at the rates and yields shown on the inside cover hereof.

The Purchase Agreement provides that the Underwriter will purchase all of the 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 Bonds to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

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

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Gonzales Unified School District, 600 Elko Street, P.O. Box G, Gonzales, California 93926.

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

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

GONZALES UNIFIED SCHOOL DISTRICT

By: /s/ Matilde Zamora, Ed.D.
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

_____, 2023

Board of Education
Gonzales Unified School District
600 Elko Street, P.O. Box G
Gonzales, California 93926

FINAL OPINION: \$8,000,000 Gonzales Unified School District
 (Monterey County, California) General Obligation Bonds,
 2020 Election, 2023 Series C

Members of the Board:

We have acted as bond counsel for the Gonzales Unified School District (Monterey County, California) (the “District”), in connection with the issuance by the District of \$8,000,000 aggregate principal amount of the District’s General Obligation Bonds, 2020 Election, 2023 Series C (the “Bonds”). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended, applicable provisions of the Education Code of the State and that certain resolution adopted by the Board of Education of the District on October 10, 2023 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and Monterey County (the “County”) as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second

paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District.
2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.
3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
4. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.
5. Interest on the Bonds is exempt from personal income taxes of the State of California.

Bondholders should note that interest on the Bonds is not a preference item for purposes of the alternative minimum tax imposed on individuals but is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. Ownership of tax-exempt obligations such as the Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Dannis Woliver Kelley

APPENDIX B

**GONZALES UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2022**

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GONZALES UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2022



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FINANCIAL SECTION

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Gonzales Unified School District
Gonzales, California

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gonzales Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Gonzales Unified School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Gonzales Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Gonzales Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gonzales Unified School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the Gonzales Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gonzales Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gonzales Unified School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc.".

San Diego, California
March 30, 2023

GONZALES UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

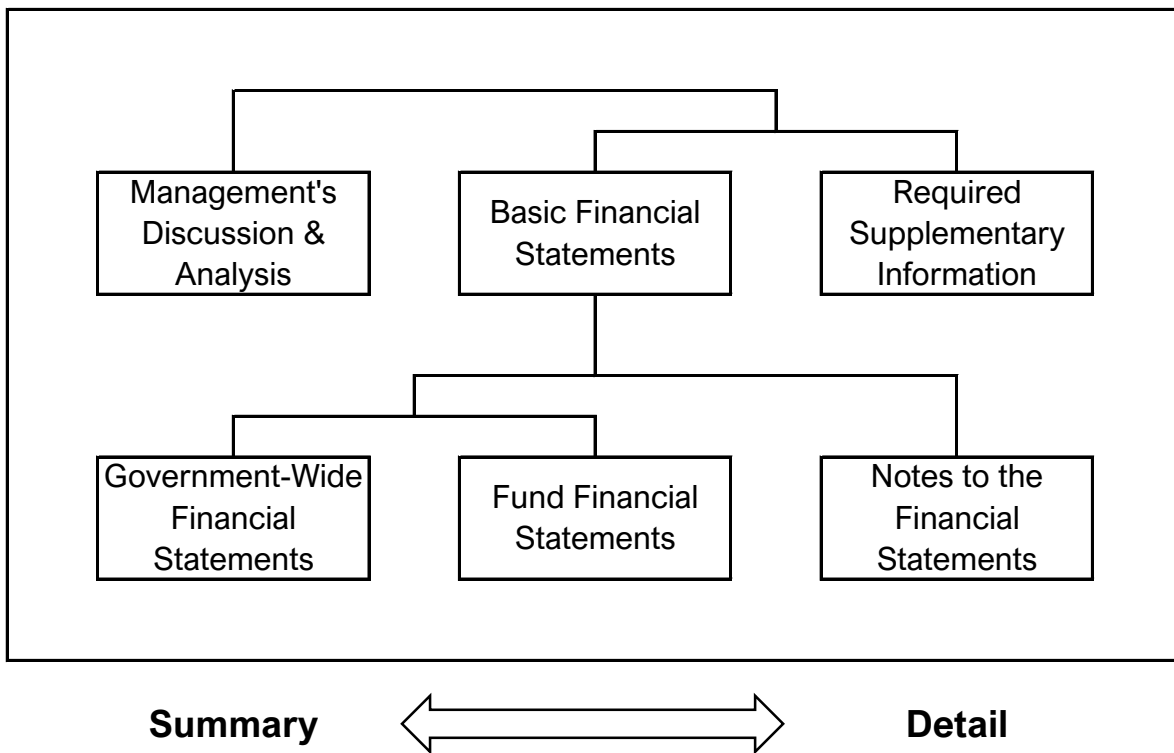
Our discussion and analysis of Gonzales Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$7,339,040 at June 30, 2022. This was an increase of \$10,135,540 from the prior year, after restatement.
- Overall revenues were \$45,065,682 which exceeded expenses of \$34,930,142.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**GONZALES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

Government-Wide Statements

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

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

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

**GONZALES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$7,339,040 at June 30, 2022, as reflected in the table below. Of this amount, \$(13,305,108) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2022	2021	Net Change
ASSETS			
Current and other assets	\$ 34,540,452	\$ 27,810,420	\$ 6,730,032
Capital assets	14,299,026	14,825,736	(526,710)
Total Assets	48,839,478	42,636,156	6,203,322
DEFERRED OUTFLOWS OF RESOURCES	5,189,792	6,812,026	(1,622,234)
LIABILITIES			
Current liabilities	6,904,795	5,374,222	1,530,573
Long-term liabilities	26,445,018	44,336,341	(17,891,323)
Total Liabilities	33,349,813	49,710,563	(16,360,750)
DEFERRED INFLOWS OF RESOURCES	13,340,417	2,690,326	10,650,091
NET POSITION			
Net investment in capital assets	12,095,968	13,174,763	(1,078,795)
Restricted	8,548,180	4,147,245	4,400,935
Unrestricted	(13,305,108)	(20,274,715)	6,969,607
Total Net Position	\$ 7,339,040	\$ (2,952,707)	\$ 10,291,747

**GONZALES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2022	2021	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 39,592	\$ 23,954	\$ 15,638
Operating grants and contributions	11,216,922	10,803,163	413,759
General revenues			
Property taxes	14,212,811	11,753,097	2,459,714
Unrestricted federal and state aid	19,100,589	16,695,960	2,404,629
Other	495,768	252,782	242,986
Total Revenues	45,065,682	39,528,956	5,536,726
EXPENSES			
Instruction	15,942,612	18,651,210	(2,708,598)
Instruction-related services	4,244,844	4,044,609	200,235
Pupil services	4,654,496	4,365,072	289,424
General administration	3,717,292	4,805,464	(1,088,172)
Plant services	2,403,381	2,039,352	364,029
Ancillary and community services	413,390	298,541	114,849
Debt service	540,678	736,804	(196,126)
Other outgo	1,808,901	1,120,796	688,105
Depreciation	1,204,548	1,255,674	(51,126)
Total Expenses	34,930,142	37,317,522	(2,387,380)
Change in net position	10,135,540	2,211,434	7,924,106
Net Position - Beginning, as Restated*	(2,796,500)	(5,164,141)	2,367,641
Net Position - Ending	\$ 7,339,040	\$ (2,952,707)	\$ 10,291,747

**Beginning net position was restated for the 2022 year only.*

The cost of all our governmental activities this year was \$34,930,142 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$14,212,811 because the remaining portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**GONZALES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2022	2021
Instruction	\$ 10,604,159	\$ 13,325,405
Instruction-related services	2,308,468	3,143,722
Pupil services	2,412,782	2,441,000
General administration	2,885,962	2,641,243
Plant services	2,252,261	1,878,718
Ancillary and community services	44,656	298,541
Debt service	540,678	736,804
Transfers to other agencies	1,420,114	769,298
Depreciation	1,204,548	1,255,674
Total	\$ 23,673,628	\$ 26,490,405

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$30,049,740, which is more than this year's restated beginning fund balance of \$22,437,098. The District's General Fund had \$6,084,339 more in operating revenues than expenditures for the year ended June 30, 2022. The District's Building Fund had \$756,029 less in operating revenues than expenditures for the year ended June 30, 2022.

CURRENT YEAR BUDGET 2021-2022

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

**GONZALES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021-2022 the District had invested \$14,299,026 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Land	\$ 221,220	\$ 221,220	\$ -
Construction in progress	486,147	-	486,147
Land improvements	5,120,884	5,120,884	-
Buildings & improvements	31,646,640	31,518,880	127,760
Furniture & equipment	3,975,844	3,919,096	56,748
Less: Accumulated depreciation	(27,151,709)	(25,954,344)	(1,197,365)
Total	\$ 14,299,026	\$ 14,825,736	\$ (526,710)

Long-Term Liabilities

At year-end, the District had \$26,445,018 in long-term liabilities. This was a decrease of 38.98% from last year, as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2022	2021	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 12,059,760	\$ 12,541,727	\$ (481,967)
Early retirement incentive	614,171	818,894	(204,723)
Compensated absences	60,584	-	60,584
Net pension liability	15,834,393	30,820,413	(14,986,020)
Less: current portion of long-term liabilities	(2,123,890)	(844,723)	(1,279,167)
Total	\$ 26,445,018	\$ 43,336,311	\$ (16,891,293)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its September 2022 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was likely to muddle along with below-trend growth and continued high inflation over the next twelve months. No recession is forecast at this time; however, the possibility still exists that persistent inflation and aggressive interest rate policy will lead to a hard landing of the economy, potentially triggering a recession. In California, defense spending and technology demands will likely keep the economy growing.

**GONZALES UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2022 Budget Revision includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs, additionally, the revised spending plan further accelerates the implementation of the "California for All Kids" plan, which is a whole-child support framework designed to target inequities in educational outcomes among students from different demographic backgrounds and empower parents and families with more options and services. The Proposition 98 Guarantee continues to be in Test 1 for 2021-22 and 2022-23. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor's Budget proposed re-benching the Test 1 percentage to increase the percentage of General Fund revenues due to the Guarantee, from 38.03 percent to approximately 38.4 percent. The May Revision updates the increased Test 1 percentage from approximately 38.4 percent to approximately 38.3 percent. At May Revision, the 2022-23 cost-of-living adjustment (COLA) is updated to 6.56 percent, the largest COLA in the history of LCFF.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2022-23 is 19.10 percent. The CalPERS projected employer contribution rate for 2022-23 is 25.37 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2022-23 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District at (831) 675-0100.

GONZALES UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and investments	\$ 30,955,235
Accounts receivable	3,249,033
Inventory	21,773
Prepaid expenses	314,411
Capital assets, not depreciated	707,367
Capital assets, net of accumulated depreciation	13,591,659
Total Assets	48,839,478
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,189,792
Total Deferred Outflows of Resources	5,189,792
LIABILITIES	
Deficit cash	28,044
Accrued liabilities	4,138,056
Unearned revenue	614,805
Long-term liabilities, current portion	2,123,890
Long-term liabilities, non-current portion	26,445,018
Total Liabilities	33,349,813
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	13,340,417
Total Deferred Inflows of Resources	13,340,417
NET POSITION	
Net investment in capital assets	12,095,968
Restricted:	
Capital projects	219,648
Debt service	2,269,956
Educational programs	4,495,591
Food service	1,287,561
Associated student body	275,424
Unrestricted	(13,305,108)
Total Net Position	\$ 7,339,040

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

**GONZALES UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 15,942,612	\$ 31,460	\$ 5,306,993	\$ (10,604,159)
Instruction-related services				
Instructional supervision and administration	1,859,872	-	1,489,187	(370,685)
Instructional library, media, and technology	636,350	-	257,577	(378,773)
School site administration	1,748,622	60	189,552	(1,559,010)
Pupil services				
Home-to-school transportation	1,171,626	-	-	(1,171,626)
Food services	1,409,411	22	1,815,374	405,985
All other pupil services	2,073,459	5,380	420,938	(1,647,141)
General administration				
Centralized data processing	577,737	-	203,873	(373,864)
All other general administration	3,139,555	2,650	624,807	(2,512,098)
Plant services	2,403,381	20	151,100	(2,252,261)
Ancillary services	352,830	-	358,833	6,003
Community services	60,560	-	9,901	(50,659)
Interest on long-term debt	540,678	-	-	(540,678)
Other outgo	1,808,901	-	388,787	(1,420,114)
Depreciation (unallocated)	1,204,548	-	-	(1,204,548)
Total Governmental Activities	\$ 34,930,142	\$ 39,592	\$ 11,216,922	(23,673,628)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				11,258,944
Property taxes, levied for debt service				2,617,562
Property taxes, levied for other specific purposes				336,305
Federal and state aid not restricted for specific purposes				19,100,589
Interest and investment earnings				105,119
Miscellaneous				390,649
Subtotal, General Revenue				33,809,168
CHANGE IN NET POSITION				10,135,540
Net Position - Beginning, as Restated				(2,796,500)
Net Position - Ending				\$ 7,339,040

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

**GONZALES UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 21,227,849	\$ 5,386,872	\$ 4,340,514	\$ 30,955,235
Accounts receivable	2,840,093	-	408,940	3,249,033
Due from other funds	12,401	-	128,902	141,303
Stores inventory	-	-	21,773	21,773
Prepaid expenditures	302,060	-	12,351	314,411
Total Assets	\$ 24,382,403	\$ 5,386,872	\$ 4,912,480	\$ 34,681,755
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ 28,044	\$ 28,044
Accrued liabilities	3,515,656	243,357	88,850	3,847,863
Due to other funds	128,902	-	12,401	141,303
Unearned revenue	614,805	-	-	614,805
Total Liabilities	4,259,363	243,357	129,295	4,632,015
FUND BALANCES				
Nonspendable	511,781	-	34,199	545,980
Restricted	4,414,510	5,143,515	4,198,722	13,756,747
Committed	-	-	550,264	550,264
Assigned	14,943,477	-	-	14,943,477
Unassigned	253,272	-	-	253,272
Total Fund Balances	20,123,040	5,143,515	4,783,185	30,049,740
Total Liabilities and Fund Balances	\$ 24,382,403	\$ 5,386,872	\$ 4,912,480	\$ 34,681,755

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

GONZALES UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2022

Total Fund Balance - Governmental Funds \$ 30,049,740

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 41,450,735	
Accumulated depreciation	<u>(27,151,709)</u>	14,299,026

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(290,193)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 12,059,760	
Early retirement incentive	614,171	
Compensated absences	60,584	
Net pension liability	<u>15,834,393</u>	(28,568,908)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 5,189,792	
Deferred inflows of resources related to pensions	<u>(13,340,417)</u>	(8,150,625)

Total Net Position - Governmental Activities		<u>\$ 7,339,040</u>
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**GONZALES UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 29,656,187	\$ -	\$ 110,000	\$ 29,766,187
Federal sources	3,187,548	-	1,955,205	5,142,753
Other state sources	7,000,766	-	842,024	7,842,790
Other local sources	1,643,411	(121,408)	2,918,005	4,440,008
Total Revenues	41,487,912	(121,408)	5,825,234	47,191,738
EXPENDITURES				
Current				
Instruction	18,360,345	-	656,262	19,016,607
Instruction-related services				
Instructional supervision and administration	2,195,391	-	20,114	2,215,505
Instructional library, media, and technology	696,917	-	-	696,917
School site administration	2,013,987	-	84,152	2,098,139
Pupil services				
Home-to-school transportation	1,253,634	-	-	1,253,634
Food services	-	-	1,483,647	1,483,647
All other pupil services	2,479,644	-	-	2,479,644
General administration				
Centralized data processing	638,799	-	-	638,799
All other general administration	3,468,497	-	94,606	3,563,103
Plant services	2,215,193	-	113,655	2,328,848
Facilities acquisition and construction	202,688	632,551	7,960	843,199
Ancillary services	4,776	-	348,054	352,830
Community services	66,871	-	-	66,871
Transfers to other agencies	1,806,831	-	-	1,806,831
Debt service				
Principal	-	-	132,064	132,064
Interest and other	-	2,070	600,388	602,458
Total Expenditures	35,403,573	634,621	3,540,902	39,579,096
Excess (Deficiency) of Revenues Over Expenditures	6,084,339	(756,029)	2,284,332	7,612,642
Other Financing Sources (Uses)				
Transfers in	-	-	10,000	10,000
Transfers out	(10,000)	-	-	(10,000)
Net Financing Sources (Uses)	(10,000)	-	10,000	-
NET CHANGE IN FUND BALANCE	6,074,339	(756,029)	2,294,332	7,612,642
Fund Balance - Beginning, as Restated	14,048,701	5,899,544	2,488,853	22,437,098
Fund Balance - Ending	\$ 20,123,040	\$ 5,143,515	\$ 4,783,185	\$ 30,049,740

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

**GONZALES UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ 7,612,642

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	678,216	
Depreciation expense:		(1,204,548)	(526,332)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

132,064

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(378)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(290,193)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

278,024

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(60,584)

(continued on the following page)

**GONZALES UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2022**

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

2,713,695

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

204,723

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

71,879

Change in Net Position of Governmental Activities

\$ 10,135,540

**GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

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

C. Basis of Presentation

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

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

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

Major Governmental Funds

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

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

Non-Major Governmental Funds

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

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

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b]* and *52501.5[a]*).

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds: (continued)

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

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

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

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

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

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

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 Years
Improvements/Infrastructure	5 to 50 Years
Equipment	2 to 15 Years

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

Fund Balance

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

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

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

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

F. Interfund Activity

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

G. Estimates

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

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data

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

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

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives 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. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has fully implemented this Statement as of June 30, 2022.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has not yet determined the impact on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury*	\$ 31,503,660
Fair value adjustment	(869,275)
Cash on hand and in banks	287,731
Cash in revolving fund	5,075
Total	\$ 30,927,191

*net of deficit cash

B. Policies and Practices

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

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Monterey County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$30,634,385. The average weighted maturity for this pool is 482 days.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

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

G. Fair Value

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

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

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

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

Uncategorized - Investments in the Monterey County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2022 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 30,634,385</u>
Total	<u>\$ 30,634,385</u>

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	\$ 1,933,645	\$ 288,944	\$ 2,222,589
State Government			
Apportionment	244,604	-	244,604
Categorical aid	389,081	119,996	509,077
Lottery	100,869	-	100,869
Local Government			
Other local sources	171,894	-	171,894
Total	\$ 2,840,093	\$ 408,940	\$ 3,249,033

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 221,220	\$ -	\$ -	\$ 221,220
Construction in progress	-	486,147	-	486,147
Total capital assets not being depreciated	221,220	486,147	-	707,367
Capital assets being depreciated				
Land improvements	5,120,884	-	-	5,120,884
Buildings & improvements	31,518,880	127,760	-	31,646,640
Furniture & equipment	3,919,096	64,309	7,561	3,975,844
Total capital assets being depreciated	40,558,860	192,069	7,561	40,743,368
Less: Accumulated depreciation				
Land improvements	4,095,047	96,051	-	4,191,098
Buildings & improvements	19,274,715	866,124	-	20,140,839
Furniture & equipment	2,584,582	242,373	7,183	2,819,772
Total accumulated depreciation	25,954,344	1,204,548	7,183	27,151,709
Total capital assets being depreciated, net	14,604,516	(1,012,479)	378	13,591,659
Governmental Activities				
Capital Assets, net	\$ 14,825,736	\$ (526,332)	\$ 378	\$ 14,299,026

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2022 were as follows:

<u>Due To Other Funds</u>	<u>Non-Major Governmental</u>		
	<u>General Fund</u>	<u>Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 128,902	\$ 128,902
Non-Major Governmental Funds	12,401	-	12,401
Total	\$ 12,401	\$ 128,902	\$ 141,303

Due from the General Fund to the Adult Education Fund for year-end closing adjustment.	\$ 10,000
Due from the General Fund to the Child Development Fund for year-end closing adjustment.	7
Due from the General Fund to the Cafeteria Fund for year-end closing adjustment.	8,895
Due from the General Fund to the Deferred Maintenance Fund for annual fund contribution.	110,000
Due from the Adult Education Fund to the General Fund for year-end closing adjustment.	7,236
Due from the Child Development Fund to the General Fund for year-end closing adjustment.	5,165
Total	\$ 141,303

B. Operating Transfers

Interfund transfers for the year ended June 30, 2022 consisted of a transfer from the General Fund to the Adult Education Fund in the amount of \$10,000.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consisted of the following:

	<u>Non-Major Governmental</u>				<u>Governmental</u>	
	<u>General Fund</u>	<u>Building Fund</u>	<u>Funds</u>	<u>District-Wide</u>	<u>Activities</u>	
Payroll	\$ 770,335	\$ -	\$ 61,244	\$ -	\$ 831,579	
Construction	-	243,357	12,327	-	255,684	
Vendors payable	2,745,321	-	15,279	-	2,760,600	
Unmatured interest	-	-	-	290,193	290,193	
Total	\$ 3,515,656	\$ 243,357	\$ 88,850	\$ 290,193	\$ 4,138,056	

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 7 – UNEARNED REVENUE

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

	General Fund
Federal sources	\$ 241,528
State categorical sources	373,277
Total	\$ 614,805

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 7,290,884	\$ -	\$ 132,064	\$ 7,158,820	\$ 1,847,288
Unamortized premium	259,632	-	71,879	187,753	71,879
Accreted interest	4,991,211	229,912	507,936	4,713,187	-
Total general obligation bonds	12,541,727	229,912	711,879	12,059,760	1,919,167
Early retirement incentive	818,894	-	204,723	614,171	204,723
Compensated absences	-	60,584	-	60,584	-
Net pension liability	30,820,413	-	14,986,020	15,834,393	-
Total	\$ 44,181,034	\$ 290,496	\$ 15,902,622	\$ 28,568,908	\$ 2,123,890

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2022 amounted to \$60,584. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The District's beginning net pension liability was \$30,820,413 and decreased by \$14,986,020 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$15,834,393. See Note 10 for additional information regarding the net pension liability.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2021	Additions	Deductions	Bonds Outstanding June 30, 2022
2000 Series A	2001	2026	4.15% - 5.96%	\$ 4,293,058	\$ 2,883,545	\$ 199,707	\$ 640,000	\$ 2,443,252
2000 Series B	2007	2033	4.82% - 4.89%	2,498,881	4,991,554	262,201	-	5,253,755
2020 Series A (Measure K)	2021	2025	2.00% - 4.00%	2,675,000	2,675,000	-	-	2,675,000
2020 Series A (Measure J)	2021	2024	2.00% - 4.00%	1,500,000	1,500,000	-	-	1,500,000
Total					\$ 12,050,099	\$ 461,908	\$ 640,000	\$ 11,872,007

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2022 were as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 1,847,288	\$ 666,188	\$ 2,513,476
2024	2,039,846	614,954	2,654,800
2025	654,408	616,292	1,270,700
2026	118,397	656,603	775,000
2027	333,990	551,010	885,000
2028 - 2032	1,784,493	3,745,507	5,530,000
2033	380,398	984,602	1,365,000
Accretion	4,713,187	(4,713,187)	-
Total	\$ 11,872,007	\$ 3,121,969	\$ 14,993,976

D. Early Retirement Incentive

The District has obligations to the Public Agency Retirement System (PARS) for early retirement incentives granted to employees during the year ended June 30, 2021. Payments are scheduled to be made as follows:

Year Ended June 30,	Payment
2023	\$ 204,723
2024	204,724
2025	204,724
Total	\$ 614,171

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2022:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 5,000	\$ -	\$ 75	\$ 5,075
Stores inventory	-	-	21,773	21,773
Prepaid expenditures	506,781	-	12,351	519,132
Total non-spendable	511,781	-	34,199	545,980
Restricted				
Educational programs	4,414,510	-	81,081	4,495,591
Food service	-	-	1,287,561	1,287,561
Associated student body	-	-	275,424	275,424
Capital projects	-	5,143,515	65,086	5,208,601
Debt service	-	-	2,489,570	2,489,570
Total restricted	4,414,510	5,143,515	4,198,722	13,756,747
Committed				
Other commitments	-	-	550,264	550,264
Total committed	-	-	550,264	550,264
Assigned				
Board reserve	6,004,207	-	-	6,004,207
LCAP reserve	3,000,000	-	-	3,000,000
Declining enrollment	2,000,000	-	-	2,000,000
Technology infrastructure	1,000,000	-	-	1,000,000
Equipment replacement	1,000,000	-	-	1,000,000
Special education needs	1,000,000	-	-	1,000,000
Facility improvements	939,270	-	-	939,270
Total assigned	14,943,477	-	-	14,943,477
Unassigned	253,272	-	-	253,272
Total	\$ 20,123,040	\$ 5,143,515	\$ 4,783,185	\$ 30,049,740

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

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 9,283,087	\$ 3,762,518	\$ 10,153,486	\$ 66,659
PERS Pension	6,551,306	1,427,274	3,186,931	329,601
Total	\$ 15,834,393	\$ 5,189,792	\$ 13,340,417	\$ 396,260

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2022, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,878,254 for the year ended June 30, 2022.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,311,908 to CalSTRS.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 9,283,087
State's proportionate share of the net pension liability associated with the District	4,670,986
Total	<u>\$ 13,954,073</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.020 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2020.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of \$66,659. In addition, the District recognized pension expense and revenue of \$(814,148) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 7,343,161
Differences between expected and actual experience	23,255	987,914
Changes in assumptions	1,315,315	-
Changes in proportion and differences between District contributions and proportionate share of contributions	545,694	1,822,411
District contributions subsequent to the measurement date	1,878,254	-
Total	<u>\$ 3,762,518</u>	<u>\$ 10,153,486</u>

The \$1,878,254 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 798,615	\$ 2,509,225
2024	799,226	2,214,511
2025	154,687	2,257,145
2026	101,748	2,530,489
2027	29,988	451,645
2028	-	190,471
Total	<u>\$ 1,884,264</u>	<u>\$ 10,153,486</u>

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	<hr/> 100% <hr/>	

*20-year geometric average

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 18,897,042	\$ 9,283,087	\$ 1,303,687

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 22.91% of annual payroll. Contributions to the plan from the District were \$1,231,701 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$6,551,306 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.032 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2020.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of \$329,601. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,514,196
Differences between expected and actual experience	195,573	15,444
Changes in proportion and differences between District contributions and proportionate share of contributions	-	657,291
District contributions subsequent to the measurement date	1,231,701	-
Total	<u>\$ 1,427,274</u>	<u>\$ 3,186,931</u>

The \$1,231,701 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 145,521	\$ 941,855
2024	43,778	819,243
2025	3,555	726,586
2026	2,719	699,247
Total	<u>\$ 195,573</u>	<u>\$ 3,186,931</u>

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 through 2015.

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 11,046,422	\$ 6,551,306	\$ 2,819,396

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2022, the District had commitments with respect to unfinished capital projects of \$124,662.

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Monterey County Schools Insurance Group (MCSIG) and the Monterey Educational Risk Management Authority (MERMA) joint powers authorities (JPAs). The District pays an annual premium to each entity for its health and workers' compensation coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2022, total deferred outflows related to pensions was \$5,189,792 and total deferred inflows related to pensions was \$13,340,417.

NOTE 14 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The beginning net position of Governmental Activities and the beginning fund balance for the Bond Interest and Redemption Fund have been restated in order to more accurately reflect the substance of transactions that occurred in the prior year.

The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ (2,952,707)
Restatement	156,207
Net Position - Beginning, as Restated	<u>\$ (2,796,500)</u>

The effect on beginning fund balance is presented as follows:

	Bond Interest and Redemption Fund
Fund Balance - Beginning, as Previously Reported	\$ 672,393
Restatement	900
Fund Balance - Beginning, as Restated	<u>\$ 673,293</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**GONZALES UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 27,708,706	\$ 28,966,217	\$ 29,766,187	\$ 799,970
Federal sources	1,517,939	7,962,043	3,306,955	(4,655,088)
Other state sources	3,638,527	6,712,533	7,000,766	288,233
Other local sources	1,510,762	2,020,772	2,125,578	104,806
Total Revenues	34,375,934	45,661,565	42,199,486	(3,462,079)
EXPENDITURES				
Certificated salaries	12,070,525	13,463,796	14,020,898	(557,102)
Classified salaries	5,046,239	5,373,514	5,650,055	(276,541)
Employee benefits	8,495,897	8,740,343	8,028,302	712,041
Books and supplies	1,775,779	6,434,535	2,398,104	4,036,431
Services and other operating expenditures	2,732,548	5,902,058	3,209,110	2,692,948
Capital outlay	212,606	328,231	180,157	148,074
Other outgo				
Excluding transfers of indirect costs	2,050,000	1,685,000	1,806,831	(121,831)
Transfers of indirect costs	(101,336)	(124,224)	(94,607)	(29,617)
Total Expenditures	32,282,258	41,803,253	35,198,850	6,604,403
Excess (Deficiency) of Revenues				
Over Expenditures	2,093,676	3,858,312	7,000,636	3,142,324
Other Financing Sources (Uses)				
Transfers out	(168,946)	(137,953)	(120,000)	17,953
Net Financing Sources (Uses)	(168,946)	(137,953)	(120,000)	17,953
NET CHANGE IN FUND BALANCE				
	1,924,730	3,720,359	6,880,636	3,160,277
Fund Balance - Beginning	15,266,323	15,266,323	14,048,701	(1,217,622)
Fund Balance - Ending	\$ 17,191,053	\$ 18,986,682	\$ 20,929,337	\$ 1,942,655

*The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because audit adjustments and reclassifications are not included in the schedule above.

GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.020%	0.021%	0.023%	0.022%	0.022%	0.021%	0.022%	0.022%
District's proportionate share of the net pension liability	\$ 9,283,087	\$ 20,382,072	\$ 20,617,931	\$ 20,461,253	\$ 20,155,460	\$ 17,257,786	\$ 15,005,803	\$ 13,019,798
State's proportionate share of the net pension liability associated with the District	4,670,986	10,506,960	11,248,458	11,715,024	11,923,800	9,824,549	7,936,415	7,861,916
Total	<u>\$ 13,954,073</u>	<u>\$ 30,889,032</u>	<u>\$ 31,866,389</u>	<u>\$ 32,176,277</u>	<u>\$ 32,079,260</u>	<u>\$ 27,082,335</u>	<u>\$ 22,942,218</u>	<u>\$ 20,881,714</u>
District's covered payroll	\$ 11,440,539	\$ 11,356,719	\$ 12,499,472	\$ 12,240,520	\$ 11,779,404	\$ 10,812,684	\$ 10,376,273	\$ 9,959,964
District's proportionate share of the net pension liability as a percentage of its covered payroll	81.1%	179.5%	165.0%	167.2%	171.1%	159.6%	144.6%	130.7%
Plan fiduciary net position as a percentage of the total pension liability	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

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

GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.032%	0.034%	0.035%	0.036%	0.037%	0.031%	0.031%	0.028%
District's proportionate share of the net pension liability	\$ 6,551,306	\$ 10,438,341	\$ 10,058,673	\$ 9,510,809	\$ 8,767,355	\$ 6,200,510	\$ 4,516,889	\$ 3,197,387
District's covered payroll	\$ 4,648,304	\$ 4,897,632	\$ 4,781,292	\$ 4,796,375	\$ 4,684,829	\$ 3,763,890	\$ 3,389,075	\$ 3,634,618
District's proportionate share of the net pension liability as a percentage of its covered payroll	140.9%	213.1%	210.4%	198.3%	187.1%	164.7%	133.3%	88.0%
Plan fiduciary net position as a percentage of the total pension liability	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

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

**GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,878,254	\$ 1,847,647	\$ 1,941,999	\$ 2,034,914	\$ 1,766,307	\$ 1,481,849	\$ 1,160,201	\$ 921,413
Contributions in relation to the contractually required contribution*	(1,878,254)	(1,847,647)	(1,941,999)	(2,034,914)	(1,766,307)	(1,481,849)	(1,160,201)	(921,413)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,553,075	\$ 11,440,539	\$ 11,356,719	\$ 12,499,472	\$ 12,240,520	\$ 11,779,404	\$ 10,812,684	\$ 10,376,273
Contributions as a percentage of covered payroll	14.96%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%

*Amounts do not include on-behalf contributions

**GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,231,701	\$ 962,199	\$ 965,862	\$ 863,597	\$ 744,925	\$ 650,629	\$ 445,908	\$ 398,928
Contributions in relation to the contractually required contribution*	(1,231,701)	(962,199)	(965,862)	(863,597)	(744,925)	(650,629)	(445,908)	(398,928)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,383,686	\$ 4,648,304	\$ 4,897,632	\$ 4,781,292	\$ 4,796,375	\$ 4,684,829	\$ 3,763,890	\$ 3,389,075
Contributions as a percentage of covered payroll	22.88%	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

**GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses			
	Budget		Actual	Excess
General Fund				
Certificated salaries	\$ 13,463,796	\$	14,020,898	\$ 557,102
Classified salaries	\$ 5,373,514	\$	5,650,055	\$ 276,541
Other outgo				
Excluding transfers of indirect costs	\$ 1,685,000	\$	1,806,831	\$ 121,831

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SUPPLEMENTARY INFORMATION

**GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education	84.010	14329	\$ 490,087
Adult Education: Adult Basic Education & ESL	84.002A	14508	13,683
Adult Education: Adult Secondary Education	84.002	13978	28,906
Adult Education: English Literacy and Civics Education	84.002A	14109	4,704
Subtotal Adult Education			47,293
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	59,285
Title III			
Title III, English Learner Student Program	84.365	14346	77,210
Title III, Immigrant Education Program	84.365	15146	9,215
Subtotal Title III			86,425
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	72,304
Title VI, Part B, Rural & Low Income School Program	84.358	14356	69,209
IDEA Basic Local Assistance Entitlement, Part B, Sec 611 [1]	84.027	13379	440,771
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	21,113
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	20,640
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	244,573
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	452,017
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	1,212,739
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	10,748
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	5,639
Subtotal Education Stabilization Fund Discretionary Grants			1,946,356
Total U. S. Department of Education			3,232,843
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	508,262
National School Lunch Program	10.555	13391	1,116,490
USDA Commodities [2]	10.555	*	98,173
Summer Food Service Program for Children	10.559	13004	17,000
Subtotal Child Nutrition Cluster			1,739,925
Nutrition Network	10.574	15332	15,002
<i>Passed through California Department of Social Services:</i>			
Child and Adult Care Food Program (CACFP)			
CACFP Claims - Centers and Family Day Care	10.558	13393	141,525
Total U. S. Department of Agriculture			1,896,452
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Child Care and Development Block Grant			
Child Development: Quality Improvement Activities	93.575	14130	1,998
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) One-time Stipend	93.575	15555	2,017
ARP California State Preschool Program One-time Stipend	93.575	15640	11,460
Subtotal Child Care and Development Block Grant			15,475
Total U. S. Department of Health & Human Services			15,475
Total Federal Expenditures			\$ 5,144,770

[1] - Major Program

[2] - In-Kind Contribution

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

**GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	508.48	523.02
Total TK/K through Third	508.48	523.02
Fourth through Sixth		
Regular ADA	399.69	402.18
Total Fourth through Sixth	399.69	402.18
Seventh through Eighth		
Regular ADA	292.96	294.32
Total Seventh through Eighth	292.96	294.32
Ninth through Twelfth		
Regular ADA	781.45	783.69
Total Ninth through Twelfth	781.45	783.69
TOTAL SCHOOL DISTRICT	1,982.58	2,003.21

**GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirement	2021-22 Actual Minutes	Number of Days	Status
Kindergarten	36,000	53,100	180	Complied
Grade 1	50,400	53,100	180	Complied
Grade 2	50,400	55,125	180	Complied
Grade 3	50,400	55,125	180	Complied
Grade 4	54,000	56,475	180	Complied
Grade 5	54,000	56,475	180	Complied
Grade 6	54,000	60,795	180	Complied
Grade 7	54,000	60,795	180	Complied
Grade 8	54,000	60,795	180	Complied
Grade 9	64,800	61,086	180	Not in Compliance*
Grade 10	64,800	61,086	180	Not in Compliance*
Grade 11	64,800	61,086	180	Not in Compliance*
Grade 12	64,800	61,086	180	Not in Compliance*

*See Finding #2022-002 for additional information.

**GONZALES UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

	2023 (Budget)	2022	2021	2020
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 38,879,240	\$ 42,199,486	\$ 36,342,185	\$ 32,686,515
Expenditures And Other Financing Uses	38,215,747	35,318,850	30,716,871	31,051,842
Net change in Fund Balance	\$ 663,493	\$ 6,880,636	\$ 5,625,314	\$ 1,634,673
Ending Fund Balance	\$ 21,592,830	\$ 20,929,337	\$ 14,048,701	\$ 8,423,387
Available Reserves*	\$ 7,625,224	\$ 6,257,479	\$ 5,884,103	\$ 5,359,062
Available Reserves As A Percentage Of Outgo	19.95%	17.72%	19.16%	17.26%
Long-term Liabilities	\$ 26,445,018	\$ 28,568,908	\$ 44,336,341	\$ 39,057,386
Average Daily Attendance At P-2***	1,919	1,983	2,234	2,234

The General Fund ending fund balance has increased by \$12,505,950 over the past two years. The fiscal year 2022-23 budget projects a further increase of \$663,493. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2022-23 fiscal year. Total long-term obligations have decreased by \$10,488,478 over the past two years.

Average daily attendance has decreased by 251 ADA over the past two years. An additional decrease of 64 ADA is anticipated during the 2022-23 fiscal year.

*Available reserves consist of all unassigned and board reserved fund balances within the General Fund.

**The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because audit adjustments and reclassifications are not included in the schedule above.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**GONZALES UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
June 30, 2022, annual financial and budget report fund balance	\$ 20,929,337	\$ 275,424	\$ 85,654	\$ 1,263,526	\$ 563,095	\$ 5,296,232	\$ 66,931	\$ 2,560,149
Adjustments and reclassifications:								
Increase (decrease) in total fund balances:								
Fair value adjustment - cash in county treasury	(601,574)	-	(893)	(28,836)	(12,831)	(152,717)	(1,845)	(70,579)
Prepaid expenditures adjustment	(204,723)	-	-	-	-	-	-	-
Accounts receivable adjustment	-	-	-	83,390	-	-	-	-
Net adjustments and reclassifications	(806,297)	-	(893)	54,554	(12,831)	(152,717)	(1,845)	(70,579)
June 30, 2022, audited financial statement fund balance	\$ 20,123,040	\$ 275,424	\$ 84,761	\$ 1,318,080	\$ 550,264	\$ 5,143,515	\$ 65,086	\$ 2,489,570

See accompanying note to supplementary information.

GONZALES UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	\$ 275,424	\$ 31,761	\$ -	\$ 1,026,082	\$ 452,591	\$ 65,086	\$ 2,489,570	\$ 4,340,514
Accounts receivable	-	69,320	46,536	293,084	-	-	-	408,940
Due from other funds	-	10,000	7	8,895	110,000	-	-	128,902
Stores inventory	-	-	-	21,773	-	-	-	21,773
Prepaid expenditures	-	3,680	-	8,671	-	-	-	12,351
Total Assets	\$ 275,424	\$ 114,761	\$ 46,543	\$ 1,358,505	\$ 562,591	\$ 65,086	\$ 2,489,570	\$ 4,912,480
LIABILITIES								
Deficit cash	\$ -	\$ -	\$ 28,044	\$ -	\$ -	\$ -	\$ -	\$ 28,044
Accrued liabilities	-	22,764	13,334	40,425	12,327	-	-	88,850
Due to other funds	-	7,236	5,165	-	-	-	-	12,401
Total Liabilities	-	30,000	46,543	40,425	12,327	-	-	129,295
FUND BALANCES								
Non-spendable	-	3,680	-	30,519	-	-	-	34,199
Restricted	275,424	81,081	-	1,287,561	-	65,086	2,489,570	4,198,722
Committed	-	-	-	-	550,264	-	-	550,264
Total Fund Balances	275,424	84,761	-	1,318,080	550,264	65,086	2,489,570	4,783,185
Total Liabilities and Fund Balances	\$ 275,424	\$ 114,761	\$ 46,543	\$ 1,358,505	\$ 562,591	\$ 65,086	\$ 2,489,570	\$ 4,912,480

See accompanying note to supplementary information.

**GONZALES UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES								
LCFF sources	\$ -	\$ -	\$ -	\$ -	\$ 110,000	\$ -	\$ -	\$ 110,000
Federal sources	-	47,293	11,460	1,896,452	-	-	-	1,955,205
Other state sources	-	455,949	225,149	151,788	-	-	9,138	842,024
Other local sources	358,833	11,604	-	(19,782)	(10,107)	37,866	2,539,591	2,918,005
Total Revenues	358,833	514,846	236,609	2,028,458	99,893	37,866	2,548,729	5,825,234
EXPENDITURES								
Current								
Instruction	-	439,143	217,119	-	-	-	-	656,262
Instruction-related services								
Instructional supervision and administration	-	20,114	-	-	-	-	-	20,114
School site administration	-	84,152	-	-	-	-	-	84,152
Pupil services								
Food services	-	-	-	1,483,647	-	-	-	1,483,647
General administration								
All other general administration	-	24,766	21,507	48,333	-	-	-	94,606
Plant services	-	-	-	4,375	109,280	-	-	113,655
Facilities acquisition and construction	-	-	-	-	7,960	-	-	7,960
Ancillary services	348,054	-	-	-	-	-	-	348,054
Debt service								
Principal	-	-	-	-	-	-	132,064	132,064
Interest and other	-	-	-	-	-	-	600,388	600,388
Total Expenditures	348,054	568,175	238,626	1,536,355	117,240	-	732,452	3,540,902
Excess (Deficiency) of Revenues								
Over Expenditures	10,779	(53,329)	(2,017)	492,103	(17,347)	37,866	1,816,277	2,284,332
Other Financing Sources (Uses)								
Transfers in	-	10,000	-	-	-	-	-	10,000
Net Financing Sources (Uses)	-	10,000	-	-	-	-	-	10,000
NET CHANGE IN FUND BALANCE	10,779	(43,329)	(2,017)	492,103	(17,347)	37,866	1,816,277	2,294,332
Fund Balance - Beginning	264,645	128,090	2,017	825,977	567,611	27,220	673,293	2,488,853
Fund Balance - Ending	\$ 275,424	\$ 84,761	\$ -	\$ 1,318,080	\$ 550,264	\$ 65,086	\$ 2,489,570	\$ 4,783,185

See accompanying note to supplementary information.

**GONZALES UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2022**

The Gonzales Unified School District was established July 1, 1997, and consists of an area comprising approximately less than ten square miles. The District operates one elementary school, one middle school and one high school. There were no boundary changes during the year.

GOVERNING BOARD		
Member	Office	Term Expires
Celeste Daniel	President	2024
Araceli Flores	Clerk	2022
Jose Lopez	Member	2022
Cesar Ayon	Member	2024
Maria Cuevas	Member	2022

DISTRICT ADMINISTRATORS

Yvette Irving
Superintendent/Secretary to the Board

James Drake
Associate Superintendent

GONZALES UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2022 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2022.

	AL	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 5,142,753
CRSSA One-Time Stipend	93.575	<u>2,017</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 5,144,770</u>

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Gonzales Unified School District
Gonzales, California

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

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gonzales Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gonzales Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gonzales Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the Schedule of Audit Findings and Questioned Costs as Finding #2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gonzales Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

Gonzales Unified School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
March 30, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Gonzales Unified School District
Gonzales, California

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited Gonzales Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gonzales Unified School District's major federal programs for the year ended June 30, 2022. Gonzales Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gonzales Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Gonzales Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Gonzales Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for Compliance

Our objectives are to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gonzales Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Gonzales Unified School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement 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 Gonzales Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gonzales Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Gonzales Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
March 30, 2023

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Gonzales Unified School District
Gonzales, California

Report on State Compliance***Opinion on State Compliance***

We have audited Gonzales Unified School District's compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Gonzales Unified School District's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Gonzales Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Gonzales Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on state compliance. Our audit does not provide a legal determination of Gonzales Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gonzales Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Gonzales Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement 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 Gonzales Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gonzales Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Gonzales Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Gonzales Unified School District's compliance with the state laws and regulations related to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In-Person Instruction Grant	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2022-002, #2022-003, #2022-004 and #2022-005. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Gonzales Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Gonzales Unified School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
March 30, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**GONZALES UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
<u>84.027</u>	<u>IDEA Basic Local Assistance Entitlement</u>	
<u>84.425, 84.425C, 84.425U</u>	<u>Education Stabilization Fund Discretionary Grants</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2021-22 <i>Guide for Annual Audits of California K-12 Local Education Agencies</i> ?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**GONZALES UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING #2022-001: INTERNAL CONTROL OVER FINANCIAL REPORTING – MATERIAL WEAKNESS (30000)

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

Condition: During our audit, we found a deficiency in internal control over financial reporting. The District did not appropriately accrue the cafeteria program meal service reimbursement claim for the month of June 2022 during the closing process. In addition, the District did not appropriately recognize an expense that was previously recognized as a prepaid expense for the year ended June 30, 2021. Both issues resulted in a material audit adjustment to be posted to the financial statements.

Effect: Audit adjustments were required due to material misstatements within the unaudited financial statements prepared by the District.

Cause: The conditions appeared to be due to general oversight and turnover in management and staffing.

Repeat Finding: Yes, this is a repeat finding of Finding #2021-001.

Recommendation: The District should implement procedures to ensure that accruals are properly recorded such as reviewing all payments and receipts after June 30 during the closing process to determine any expenditures or revenues that were incurred or earned but not yet paid or received. Prepaid expenses recognized in a previous year should be reversed and expensed in the subsequent year as appropriate.

Corrective Action Plan: Food Service and Fiscal staff are receiving training in the procedures of year-end as they relate to meal claims reimbursements and accruals of receivables for claim reimbursed after June 30th. Additionally, personnel are drafting procedural year-end guidelines for use.

**GONZALES UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2022.

**GONZALES UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2022-002: INSTRUCTIONAL TIME (40000)

Criteria: Pursuant to California Education Code Sections 46207, a school district that has either met or exceeded its Local Control Funding Formula (LCFF) targets must offer a total of 64,800 annual instructional minutes for grades 9 through 12.

Condition: During the 2021-22 school year, Gonzales High School offered a total of only 61,086 minutes. This calculates to a shortfall of 3,714 minutes.

Effect: The District is not in compliance with applicable sections of Education Code and may be subject to penalties due to offering less than the annual required amount of instructional time for grades 9 through 12.

Cause: Administrative oversight.

Questioned Costs: \$599,482, as calculated below:

Affected grade level	9 - 12
Affected grade level ADA	744.00
Derived Value of ADA by Grade Span	\$ 14,062.05
Number of required minutes	64,800
Number of minutes short	3,714
Percentage of Minutes Not Offered	5.73%
Affected LCFF Apportionment by Grade Span	\$ 10,462,165
Total Instructional Time Penalty	\$ 599,482

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that District management review the instructional calendars and bell schedules for each school site and prepare calculations of annual instructional time prior to the beginning of the school year to ensure compliance with State requirements.

Corrective Action Plan: The District set into place protocols to ensure the minimum instructional minutes are met each year. The school calendars and bell schedules are reviewed and approved by each school site Principal, Director of IT, and the Superintendent prior to the start of the school year. Instructional time has been added to the current Fiscal Year bell schedule to ensure the required standard is met with and includes an excess of 240 minutes. The District will be submitting a request CDE to make up the remainder of insufficient time.

**GONZALES UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2022-003: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: 21 out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as only FRPM and non-EL did not have appropriate supporting documentation on file to justify their FRPM designation in CALPADS. To determine the projected audit adjustment, we applied the error rate across this segment of the unduplicated pupil count population for a total audit adjustment of 127.

Effect: The District is not in compliance with applicable State requirements.

Cause: Misclassification of students in the student information system from which CALPADS reporting is derived.

Questioned Costs: \$324,514, as calculated below.

Item Number	Calculating the Cost of LCFF Unduplicated Pupil Count Audit Finding	Data Input and Calculated Fields
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	6,826
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	6,069
3	Audit Adjustment - Number of Enrollment	-
4	Audit Adjustment - Number of Unduplicated Pupil Count	(127)
5	Revised Adjusted Enrollment	6,826
6	Revised Adjusted Unduplicated Pupil Count	5,942
7	UPP calculated as of P-2	0.8891
8	Revised UPP for audit finding	0.8705
9	Charter Schools Only: Determinative School District Concentration Cap	-
10	Revised UPP adjusted for Concentration Cap	0.8705
11	Supplemental and Concentration Grant TK/K–3 ADA	597.57
12	Supplemental and Concentration Grant 4–6 ADA	454.63
13	Supplemental and Concentration Grant 7–8 ADA	359.82
14	Supplemental and Concentration Grant 9–12 ADA	836.07
15	Adjusted Base Grant per TK/K–3 ADA	\$ 8,935
16	Adjusted Base Grant per 4–6 ADA	\$ 8,215
17	Adjusted Base Grant per 7–8 ADA	\$ 8,458
18	Adjusted Base Grant per 9–12 ADA	\$ 10,057
19	Supplemental Grant Funding calculated as of P-2	\$ 3,649,896
20	Revised Supplemental Grant Funding for audit finding	\$ 3,573,540
21	Supplemental Grant Funding audit adjustment	\$ (76,356)
22	Concentration Grant Funding calculated as of P-2	\$ 4,524,192
23	Revised Concentration Grant Funding for audit finding	\$ 4,276,034
24	Concentration Grant Funding audit adjustment	\$ (248,158)
25	Total Supplemental and Concentration audit adjustment	\$ (324,514)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District ensure that there are proper controls over FRPM and EL designations in the student information system in order to strengthen the accuracy of CALPADS reporting. This should include adequate supporting documentation to verify the status of FRPM and EL designations reported in CALPADS.

**GONZALES UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

**FINDING #2022-003: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)**

Corrective Action Plan: The District has reviewed current procedures for tracking FRPM to ensure it has adequate documentation for each student who is not directly certified. Alternative methods of identifying students as FRPM will be submitted to the Student Information System (AERIES) upon registration to ensure CALPADS reporting of Unduplicated Students is accurate. EL Students are identified by ELPAC testing; they are then tracked in AERIES.

FINDING #2022-004: CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in Education Code section 41372, a unified school district must expend a minimum of 55% of the District's current expenses of education towards salaries of classroom teachers.

Condition: For the year ended June 30, 2022, the District did not meet the minimum percentage requirement of 55%. As shown in the SACS Form CEA, the District spent only 52.53% of current education expenses on classroom teacher salaries and benefits for the year ended June 30, 2022.

Effect: The District's current expense of education for the year ended June 30, 2022, was \$30,845,322 and the total salaries and benefits for classroom teachers was \$16,203,509. The District was below the minimum required percentage of 55% by 2.47%, which calculates out to a deficiency of \$761,879.

Cause: Administrative oversight.

Questioned Costs: The questioned costs are the deficiency of \$761,879.

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend that the District monitor their expenses towards salaries and benefits of classroom teachers against their total current education expenses in future year to ensure compliance with the minimum requirement.

Corrective Action Plan: As with prior years, a waiver was submitted to the County Office of Education for the deficiency. With the increased needs of mental health supports and additional non-instructional related services, it has become increasingly difficult for districts across the State to meet the standard of Ed Code 41372. The District has very competitive teacher salaries as they compare to surrounding Districts and has provided regular increases to the salary schedule for the past eight years.

**GONZALES UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2022-005: INSTRUCTIONAL MATERIALS BOARD RESOLUTION (70000)

Criteria: California Education Code Section 60119 requires the governing board of each local education agency (LEA) to hold a public hearing and make a determination through a resolution, as to whether each pupil has sufficient textbooks or instructional materials on or before the end of the eighth week from the first day of school for that year. The board resolution should include a written determination regarding the availability of instructional materials for specific subject areas including mathematics, science, social science, English, world languages, health courses, and science laboratory courses.

Condition: During our compliance testing of this area, we determined the District did include a written determination regarding the availability of laboratory science equipment as applicable to science laboratory courses offered in grades 9 to 12.

Effect: The District is not in compliance with California Education Code Section 60119.

Cause: Administrative oversight.

Questioned Costs: None. There is no funding directly related to the sufficiency of instructional materials public hearing and board resolution.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District update the contents of the annual board resolution and implement procedures to ensure compliance with Education Code requirements regarding the sufficiency of instructional materials resolution.

Corrective Action Plan: The District will revise the annual resolution for instructional minutes to include determination regarding the availability of laboratory science equipment as applicable to science laboratory courses offered in grades 9 to 12.

**GONZALES UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

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

Condition: During our testing of the District's state general apportionment and related year-end accruals we discovered a miscalculation leading to a material audit adjustment to the unaudited financial statements. The error was in the Local Control Funding Formula (LCFF) apportionment calculations used to set up the year-end accrual balances.

We also discovered a duplicate accounts receivable for the May reimbursement for meals served in the National School Lunch program therefore overstating revenues and the district did not accrue the increased meal rate of \$0.75 per meal during the close. During our revenue reconciliation for the Cafeteria Fund we also found that the district had accounted for the Child and Adult Care Food Program revenues as State rather than Federal revenues which had to be corrected.

Questioned Costs: There were no questioned costs associated with the condition identified.

Cause: These types of adjustments are extremely rare for the District. A few factors contributed to the oversight. The District's business office experienced retirements and vacancies in key positions involved in the year end closing process. Additionally, the Local Control Funding Formula calculation is involved, and a complicated workbook is utilized to determine ending balances. The COVID pandemic also caused the business office almost entirely working in a completely or partially remote environment; that, coupled with additional responsibilities and issues requiring attention regarding COVID grants and the distance learning coordination and planning we feel led to this oversight.

Effect: The LCFF revenue was overstated by \$1,217,622 which was material, and an audit adjustment to adjust the revenue and related accruals was necessary. This changed the unaudited balances in the General Fund decreasing fund balance which also impacted the entity wide full accrual financial statements by reducing total net position.

The other receivable amount is material to the Cafeteria Fund and an audit adjustment was necessary. The adjustment decreased the accounts receivable and revenue by \$160,861 in the Cafeteria Fund and for the total governmental activities.

Recommendation: In the future, the District should ensure that someone other than the preparer and possibly the County Office of Education that has knowledge of the calculation, reviews the final LCFF workbook prior to the related accruals being posted to balance the ending state's share of general apportionment funding. Additionally, final ending balances for all financial statement accounts should be carefully reviewed to prior year balances and budgeted amounts to assess whether a misstatement could be present, or an account looked into more closely. All reimbursement claims filed for district programs, such as food services, should be reviewed carefully to ensure all funds earned prior to June 30 are appropriately accrued.

**GONZALES UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (30000) (continued)

District Response: The District has filled vacant positions as quickly as possible. Additionally, procedures will be put in place to verify, prior to the final closing of the books, that all monthly reimbursements expected through June 30 are properly accrued and the final LCFF closing accruals and balances will be reviewed by someone knowledgeable of the complexities of the calculation.

Current Status: Not implemented. See Finding #2022-001.

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF MONTEREY

The following information concerning the County of Monterey (the "County") is presented for information purposes only. The following information has been obtained from the sources referenced as of the dates indicated. These sources are believed to be reliable but the information is not guaranteed as to accuracy or completeness, and is not, and should not be construed as, a representation by the District. The District comprises only a portion of the County. The Bonds are only payable from ad valorem property taxes levied on property in the District. The Bonds are not a debt or obligation of the County.

Monterey County

General. The County borders the Pacific Ocean approximately 130 miles south of San Francisco and 240 miles north of Los Angeles and was incorporated in 1850 as one of the State's original 27 counties and covers an area of approximately 3,300 square miles. Agriculture, tourism and government are major contributors to the County's economy. The Salinas Valley, located in the eastern portion of the County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction. The Monterey Bay Aquarium, Pebble Beach Golf Course and the City of Carmel are attractions that draw tourists to the Monterey Peninsula.

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Population

The following table summarizes the population of the County and the State from 2018 through 2022.

POPULATION ESTIMATES Monterey County, Cities of the County, and State of California 2018 through 2022 (As of January 1)

Area	2018	2019	2020	2021	2022 ⁽¹⁾
Carmel-By-The-Sea	4,027	4,051	4,040	3,095	3,048
Del Rey Oaks	1,683	1,686	1,677	1,558	1,545
Gonzales	8,553	8,574	8,528	8,492	8,351
Greenfield	18,053	18,119	18,333	18,705	19,693
King City	14,347	14,544	14,838	13,476	13,323
Marina	22,342	22,704	22,372	21,271	21,527
Monterey	28,212	28,099	28,304	28,347	28,079
Pacific Grove	15,634	15,635	15,571	14,942	14,765
Salinas	159,846	160,522	160,387	161,777	159,745
Sand City	371	372	373	378	373
Seaside	33,767	33,074	33,608	31,113	32,115
Soledad	25,680	25,819	25,399	26,316	26,566
Balance Of County	106,124	107,000	106,963	106,251	104,834
Incorporated	332,515	333,199	333,430	329,470	329,130
County Total	438,639	440,199	440,393	435,721	433,964
California State Total	39,519,535	39,605,361	39,648,938	39,303,157	39,078,674

Source: California State Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark* and *E-4 Population Estimates for Cities, Counties, and the State, 2021-2022, with 2020 Census Benchmark*. Sacramento, California, May 2023.

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Employment and Industry

The table below provides estimates of employment in each major industry in the County from calendar years 2018 through 2022 (the most recent data available). These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the District.

INDUSTRY EMPLOYMENT BY ANNUAL AVERAGE County of Monterey 2018 through 2022⁽¹⁾

Industry Category	2018	2019	2020	2021	2022
Total, All Industries	198,000	199,900	185,700	190,600	204,400
Total Farm	55,000	54,800	53,800	54,800	60,900
Total Nonfarm	143,000	145,100	131,900	135,700	143,500
Total Private	108,500	110,400	98,100	102,100	109,100
Goods Producing	12,000	12,100	11,200	11,700	12,300
Mining and Logging	200	300	200	200	300
Construction	6,400	6,500	6,200	6,400	6,900
Manufacturing	5,400	5,300	4,700	5,100	5,100
Nondurable Goods	3,700	3,600	3,100	3,400	3,600
Service Providing	131,000	133,000	120,700	124,000	131,200
Private Service Providing	96,500	98,300	86,900	90,400	96,800
Trade, Transportation & Utilities	26,700	26,600	24,600	25,000	25,400
Wholesale Trade	5,900	5,800	5,400	5,300	5,500
Retail Trade	16,800	16,800	15,500	16,100	16,200
Food & Beverage Stores	3,800	4,000	4,100	4,200	4,100
Transportation, Warehousing & Utilities	4,000	4,100	3,800	3,600	3,700
Information	1,000	1,000	800	800	900
Financial Activities	4,500	4,400	4,100	4,100	4,300
Professional & Business Services	14,000	14,700	14,400	15,100	15,500
Educational & Health Services	19,900	20,400	19,800	20,200	21,000
Leisure & Hospitality	25,300	26,100	18,800	20,300	24,300
Other Services	5,100	5,100	4,500	4,800	5,400
Government	34,500	34,700	33,800	33,700	34,400
Federal Government	5,100	5,200	5,600	5,500	5,300
Department of Defense	3,700	3,700	4,000	4,000	3,800
State & Local Government	29,400	29,600	28,200	28,100	29,200
State Government	5,700	5,700	5,500	5,400	5,300
State Government Education	1,400	1,500	1,400	1,300	1,400
State Government Excluding Education	4,200	4,200	4,200	4,100	3,900
Local Government	23,800	23,900	22,700	22,800	23,900
Local Government Education	12,900	13,000	12,100	12,000	12,900
Local Government Excluding Education	10,800	10,900	10,600	10,800	10,900
County	5,200	5,200	5,200	5,400	5,300
City	2,300	2,300	1,900	2,000	2,200
Special Districts plus Indian Tribes	3,300	3,400	3,400	3,500	3,400

⁽¹⁾ Data not seasonally adjusted; Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department Labor Market Information Division, *Industry Employment and Labor Force by Annual Average, March 2022 Benchmark*. Sacramento, California, July 2023.

The following table summarizes the labor force, employment and unemployment figures for the County, the State, and the United States from 2018 through 2022.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT⁽¹⁾
County of Monterey, State of California and United States
2018 through 2022

Year and Area	Labor Force ⁽²⁾	Employment	Unemployment	Unemployment Rate ⁽²⁾
<u>2018</u>				
Monterey County	221,900	207,600	14,300	6.4%
California	19,289,500	18,468,100	821,400	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
Monterey County	221,500	207,500	14,100	6.4%
California	19,409,400	18,612,600	796,800	4.1
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
Monterey County	213,800	189,800	24,000	11.2%
California	18,931,100	16,996,700	1,934,500	10.2
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
Monterey County	211,900	194,300	17,500	8.3%
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
Monterey County	220,500	207,400	13,100	5.9%
California	19,252,000	18,400,900	811,100	4.2
United States	164,287,000	158,291,000	5,996,000	3.6

⁽¹⁾ The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *California State Employment Development Department, and U.S. Bureau of Labor Statistics.*

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Major Employers

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

MAJOR EMPLOYERS County of Monterey 2022

Employer	Location	Industry
Al Pak Labor	Soledad	Labor Contractors
Azcona Harvesting	Greenfield	Harvesting-Contract
Bud of California	Soledad	Fruits & Vegetables-Growers & Shippers
County-Monterey Behavioral	King City	Health Services
Filipino American Cmnty Club	Marina	Church Organizations
Fort Hunter Liggett Military	Jolon	Military Bases
Growers Co	Salinas	Fruits & Vegetables & Produce-Retail
Hilltown Packing Co Inc	Salinas	Harvesting-Contract
Mann Packing Co Inc	Salinas	Fruits & Vegetables-Growers & Shippers
Mee Memorial Hospital	King City	Hospitals
Middlebury Institute-Intl Stds	Monterey	Schools-Universities & Colleges Academic
Misionero Vegetables	Gonzales	Fruits & Vegetables-Growers & Shippers
Monterey County Public Works	Salinas	Government Offices-County
Monterey County Social Svc Dpt	Salinas	Government Offices-County
Monterey Peninsula College	Monterey	Junior-Community College-Tech Institutes
Natividad Medical Ctr	Salinas	Hospitals
Pebble Beach Co	Pebble Beach	Hotels & Motels
Pebble Beach Resorts	Pebble Beach	Resorts
Premium Packing Inc	Salinas	Labor Contractors
Quality Farm Labor	Gonzales	Labor Contractors
R C Packing	Gonzales	Packing & Crating Service
Salinas Valley Meml Healthcare	Salinas	Health Care Management
US Defense Dept	Seaside	Government Offices-Federal
US Defense Manpower Data Ctr	Seaside	Government Offices-Federal
Valley Harvesting	Greenfield	Crop Harvesting-Primarily By Machine

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

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Commercial Activity

A summary of the annual taxable sales from 2018 to 2022 within Monterey County is shown below.

TAXABLE SALES County of Monterey 2018 through 2022 (Dollars in Thousands)

Year	Retail and Food Number of Outlets	Retail and Food Taxable Transactions	Total Number of Outlets	Total Outlets Taxable Transactions
2018	7,666	5,112,856	12,490	7,339,237
2019	7,725	5,128,263	12,816	7,418,249
2020	8,078	4,923,657	13,505	6,953,873
2021	7,363	5,930,462	12,425	8,439,415
2022	7,455	6,384,227	13,028	2,506,354

Source: California Department of Tax and Fee Administration, *Taxable Sales - Counties by Type of Business (Taxable Table 3)*, last updated July 28, 2023.

Personal Income

Personal income and per capita personal income in Monterey County, the State of California, and the United States between 2017 and 2021 is shown in the tables below.

PERSONAL INCOME County of Monterey, State of California, and United States 2017-2021 (Dollars in Thousands)

Year	County of Monterey	California	United States
2017	\$23,097,874	\$2,318,280,905	\$16,837,337,000
2018	23,317,005	2,431,773,865	17,671,054,000
2019	24,787,069	2,567,425,620	18,575,467,000
2020	26,794,525	2,790,523,455	19,812,171,000
2021	27,747,802	3,006,183,929	21,288,709,000

Source: U.S. Bureau of Economic Analysis, *SAINCI State annual personal income summary: personal income, population, per capita personal income* and *CAINCI County and MSA personal income summary: personal income, population, per capita personal income* (accessed Thursday, February 9, 2023).

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Monterey, State of California, and United States
2017-2021

Year	County of Monterey	California	United States
2017	\$52,601	\$58,804	\$51,550
2018	53,065	61,508	53,786
2019	56,313	64,919	56,250
2020	61,105	70,647	59,765
2021	63,449	76,614	64,143

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. BEA produced intercensal annual county population statistics for 2010 to 2019 that are tied to the Census Bureau decennial counts for 2010 and 2020. BEA developed intercensal population statistics because this data was not published when Census released county population data for 2020 and 2021, which are based on the 2020 decennial counts. BEA used the Census Bureau Das Gupta method (see <https://www2.census.gov/programs-surveys/popest/technical-documentation/methodology/intercensal/2000-2010-intercensal-estimates-methodology.pdf>), modified to account for an extra leap year day, to produce the intercensal population figures that will be used until Census releases its official intercensal population data.

Source: U.S. Bureau of Economic Analysis, *SAINCI State annual personal income summary: personal income, population, per capita personal income* and *CAINCI County and MSA personal income summary: personal income, population, per capita personal income* (accessed Thursday, February 9, 2023).

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Gonzales Unified School District (the “District”) in connection with the execution and delivery of \$8,000,000 aggregate principal amount of the District’s General Obligation Bonds, 2020 Election, 2023 Series C (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on October 10, 2023 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Oppenheimer & Co. Inc. (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The Dissemination Agent shall be Dale Scott & Co., Inc.

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

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated November 16, 2023.

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than nine (9) months after the end of the District's fiscal year (currently ending June 30), which date would be March 31, commencing with the report for the fiscal year ending June 30, 2023, which would be due on March 31, 2024, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

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

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted general fund budget for the current fiscal year;

(ii) Assessed valuations, as shown on the most recent equalized assessment roll for the District;

(iii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll within the District; and

(iv) Secured tax charges and delinquencies, unless the County establishes and maintains a Teeter Plan within the District.

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

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;
- (iv) Substitution of or failure to perform by any credit provider;
- (v) Adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Bonds;
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the securities, if material, not later than ten (10) business days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the securities or other material events affecting the tax status of the securities;
- (ii) Modifications of rights to security holders;

- (iii) Bond calls;
- (iv) Release, substitution or sale of property securing repayment of the securities;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (vii) Appointment of a successor or additional paying agent or trustee or the change of name of a paying agent or trustee; and
- (viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders;

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Disclosure Agreement, and no implied duties, covenants or obligations shall be read into this Disclosure Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Disclosure Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Disclosure Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Disclosure Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Disclosure Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Disclosure Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: December 5, 2023

GONZALES UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

Acceptance of duties as Dissemination Agent:

DALE SCOTT & CO., INC.

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Gonzales Unified School District

Name of Issue: \$8,000,000 General Obligation Bonds, 2020 Election, 2023 Series C

Date of Issuance: December 5, 2023

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated December 5, 2023. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

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APPENDIX E

MONTEREY COUNTY INVESTMENT POLICY STATEMENT

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COUNTY OF MONTEREY TREASURER'S INVESTMENT POLICY

FISCAL YEAR 2023-2024

APPROVED BY THE BOARD OF SUPERVISORS JULY 25, 2023

COUNTY OF MONTEREY INVESTMENT POLICY
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INVESTMENT POLICY

Treasurer-Tax Collector County of Monterey

1.0 Policy

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

2.0 Scope

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

2.1 Participating Agencies

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

2.2 Outside Agency Participation

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

3.0 Prudence

The Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard¹. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the Treasurer shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, a trustee is authorized to acquire investments as authorized by law.

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

¹ California Government Code §53600.3

4.0 Objectives

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

4.1 Safety of Principal

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

4.2 Liquidity

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

4.3 Return on Investment

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

5.0 Socially Responsible Investment Consideration

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

6.0 Delegation of Authority

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

7.0 Conflict of Interest

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

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

7.1 Limits on Honoraria, Gifts and Gratuities

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

8.0 Authorized Dealers and Institutions

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

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

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

8.1 Limitations on Political Contributions

Pursuant to Government Code Section 27133 (c), the Treasurer shall not select for business any broker, brokerage, dealer, or securities firm that has made a political contribution within the last four years in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the County Treasurer, any member of the County of Monterey Board of Supervisors, or any candidate for those offices.

9.0 Authorized and Suitable Investments.

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

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

9.1 Limitations

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

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

9.2 Reverse Repurchase Agreements

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

9.3 Maximum Credit Exposure

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

9.4 Credit Downgrade

In the event a security held by the County is downgraded below the minimum ratings required by the Policy, the security will be reviewed. The course of action will be

determined on a case-by-case basis, considering such factors as the reason for the ratings change, remaining maturity, prognosis for recovery or further ratings changes, and the market price of the security.

10.0 Safekeeping and Custody

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

11.0 Investments Outside Treasury Pool

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

- a. All such investments are subject to prior approval by the Treasurer.
- b. The funds represent proceeds of bonds, other forms of indebtedness, or special purpose funds not required for normal operating expenses, and
- c. The funds represent new or additional assets of the agency that were not previously invested in the County of Monterey Investment Pool, or under other conditions approved by the Treasurer, and
- d. The funds may be transferred to the core portfolio upon mutual agreement between the depository agency and the Treasurer. Any such transfer will reflect the market value of any securities sold prior to their maturity, where the underlying funds cannot be transferred back to a custom investment outside the core portfolio unless approved by the Treasurer, and
- e. Funds may be transferred to the Treasurer's operating (checking) account for further disbursement provided the funds originate from: maturing securities; overnight funds; sold securities subject to subsection 10 (c.) above, and associated earned income on those funds, and
- f. Within 7 business days prior to the maturity of any security the depository agency shall inform the Treasurer of the desired disposition of such maturing assets to include, rollover to a new asset, transfer to the core portfolio, or transfer to the Treasurer's operating account subject to the conditions in 10 (a.) through (g.) inclusive, and
- g. Any earned income on "custom invested funds" will be segregated from the core portfolio and deposited to an overnight fund designated specifically for such income. Any liquidation or transfer of the underlying asset will invoke a corresponding transfer of the associated earned income.

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

An agency with funds on deposit in the County Treasury where such funds may statutorily be invested outside of the County Treasury may apply for a withdrawal of those funds. Pursuant to Government Code Sections 27133 (h) and 27136, the County Treasurer shall

evaluate each proposal for withdrawal of funds. The Treasurer's evaluation shall assess the effect of a proposed withdrawal on the stability and predictability of the investments in the County Treasury Pool. In addition and prior to any withdrawal, the Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the Treasury Pool.

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

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

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

13.0 Maximum Maturities

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

13.1 Weighted Average Maturity

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

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

14.0 Audits

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

15.0 Performance Standards

The investment portfolio will be designed to obtain a market average rate of return during

budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow needs. The County may establish a market-based performance benchmark for comparison.

16.0 Investment Policy Review and Approval

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

16.1 Legislative Changes

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

17.0 Reporting

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

18.0 Allocation of Investment Costs

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

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

19.0 Disaster Recovery

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

APPENDIX A
Authorized Investments County General Pool

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

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

(2) which are rated in a rating category of "A-1" or its equivalent, or better by a minimum of one NRSRO at time of purchase

(3) which are rated in a rating category of "A" or its equivalent, or better by a minimum of one NRSRO at the time of purchase

(4) which are rated in a rating category of "AA" or its equivalent, or better by a minimum of one NRSRO at time of purchase

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct or Indirect Participants are on file with DTC.

General

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Dallas, Texas. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

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

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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