PRELIMINARY OFFICIAL STATEMENT DATED MARCH 6, 2019

NEW ISSUE — FULL BOOK-ENTRY

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

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

$12,000,000*
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2018 General Obligation Bonds, Series A
(Measure Q)

$12,000,000*
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2018 General Obligation Bonds, Series A-1
(Measure R)

Dated: Date of Delivery **Due: August 1, as shown on the insider cover**

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

The South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2018 General Obligation Bonds, Series A (the "Measure Q Bonds"), are being issued by the South Monterey County Joint Union High School District (the "District"). The Measure Q Bonds were authorized at an election of the registered voters of the District held on November 6, 2018, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $20,000,000 principal amount of general obligation bonds to finance the renovation, acquisition, construction, repair, and equipping of high school classrooms, sites, and facilities in the District.

The South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2018 General Obligation Bonds, Series A-1 (the "Measure R Bonds," and, together with the Measure Q Bonds, the "Bonds"), are being issued by the District. The Measure R Bonds were authorized at an election of the registered voters of the District held on November 6, 2018, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $20,000,000 principal amount of general obligation bonds to finance the renovation, acquisition, construction, repair, and equipping of high school classrooms, sites, and facilities in or serving the District.

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be issued as current interest bonds, such that interest thereon shall accrue from the date of delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

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

The scheduled payment of principal of and interest on the Bonds, when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "THE BONDS – Bond Insurance" herein and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

ASSURED GUARANTY
MUNICIPAL

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

Maturity Schedule
(See inside front cover)

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriter by Norton Rose Fulbright US LLP. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about March 28, 2019.**

Citigroup

The date of this Official Statement is March __, 2019.

* Preliminary, subject to change.

MATURITY SCHEDULE

$12,000,000*
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2018 General Obligation Bonds, Series A
(Measure Q)

Base CUSIP[(1)]: 83887T

$__________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix

$_______ – _____% Term Bonds due August 1, 20__; Yield: _____%; CUSIP[(1)] Suffix: ___

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* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor, or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, municipal advisor, or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MATURITY SCHEDULE

$12,000,000*
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2018 General Obligation Bonds, Series A-1
(Measure R)

Base CUSIP[(1)]: 83887T

$__________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix

$_______ – _____% Term Bonds due August 1, 20__; Yield: _____%; CUSIP[(1)] Suffix: ___

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* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor, or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, municipal advisor, or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been given or authorized by the District.

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

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH 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 DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER 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 on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "THE BONDS – Bond Insurance" herein and in "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

* Two seats on the Board of Trustees are currently vacant.

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(Monterey and San Benito Counties, California)
Election of 2018 General Obligation Bonds, Series A
(Measure Q)

$12,000,000*
SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
(Monterey and San Benito Counties, California)
Election of 2018 General Obligation Bonds, Series A-1
(Measure R)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover pages and appendices hereto, provides information in connection with the sale of the (i) South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2018 General Obligation Bonds, Series A (the "Measure Q Bonds"), and (ii) South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2018 General Obligation Bonds, Series A-1 (the "Measure R Bonds," and, together with the Measure Q Bonds, the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover 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.

The District

The South Monterey County Joint Union High School District (the "District"), previously known as the King City Joint Union High School District, changed its name on July 1, 2011. The District is a 9-12 high school district and consists of approximately 2,500 square miles in California's Salinas Valley. The majority of the District lies in Monterey County (the "County") and includes the incorporated cities of Greenfield and King City. Monterey County is the 19th most populous county in the State, with most of its population concentrated in the northern portion of the County, in and around the city of Salinas. The District currently operates two 9-12 grade comprehensive high schools, one continuation school, and an independent study charter school. Enrollment in the District for fiscal year 2018-19 is projected to be 2,344 students. The District's projected average daily attendance ("ADA") for fiscal year 2018-19 is 2,209. Taxable property within the District has a fiscal year 2018-19 assessed valuation of $4,528,571,920.

Pursuant to Senate Bill 130, in July 2009, the State Superintendent of Public Instruction (the "State Superintendent") assumed all rights, duties and powers of the District Board of Trustees (the "Board"). The State Superintendent, in consultation with the Monterey County Office of Education Superintendent, appointed a State Administrator to act on behalf of the State Superintendent of Public Instruction. The State Superintendent also appointed a State Trustee (the "State Trustee") to act on behalf of the State Superintendent. Effective July 1, 2016, the State Superintendent restored to the Board all rights, duties, and powers, except for the powers held by the State Trustee. The State Trustee continues to serve until at least three years from the effective date and until it is determined that the District has adequate fiscal system controls in place and that the District's future compliance with financial recovery plans is probable. The State Trustee is currently empowered to stay and rescind any decisions by the Board that have a fiscal impact.

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* Preliminary, subject to change.

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

See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for more information regarding the District generally. The District's audited financial statements for fiscal year ending June 30, 2018 are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

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

Authority for Issuance of the Bonds

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

Sources of Payment for the Bonds

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

See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

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

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

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

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the initial date of delivery of the Bonds (the "Date of Delivery"), such interest to be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2019 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover pages hereof.

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

Bond Insurance. Concurrently with the delivery of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue a municipal bond insurance policy for the Bonds (the "Policy"), which Policy guarantees the scheduled payment of principal of and interest on the Bonds when due. See "THE BONDS – Bond Insurance" herein and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the "State") personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about March 28, 2019.*

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* Preliminary, subject to change.

Bond Owner's Risks

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

Continuing Disclosure

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

Forward-Looking Statements

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

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El Segundo, California, is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

Other Information

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

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

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

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

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, as amended, Article XIIIA of the California Constitution and pursuant to resolutions relating to each series of Bonds adopted by the Board of the District on February 27, 2019 (together, the "Resolutions").

With respect to the Measure Q Bonds, the District received authorization at an election of the registered voters in the District, held on November 6, 2018, at which the requisite 55% or more of the voters voting on the measure approved the issuance of not-to-exceed $20,000,000 principal amount of general obligation bonds for the District (the "Measure Q Authorization"). The Measure Q Bonds represent the first issuance of bonds under the Measure Q Authorization, and following the issuance thereof, $8,000,000* of the Measure Q Authorization will remain.

With respect to the Measure R Bonds, the District received authorization at an election of the registered voters in the District, held on November 6, 2018, at which the requisite 55% or more of the voters voting on the measure approved the issuance of not-to-exceed $20,000,000 principal amount of general obligation bonds for the District (the "Measure R Authorization"). The Measure R Bonds represent the first issuance of bonds under the Measure R Authorization, and following the issuance thereof, $8,000,000* of the Measure R Authorization will remain.

Security and Sources of Payment

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

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

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

The rate of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, 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, wildfire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

* Preliminary, subject to change.

Considerations Regarding Bond Insurance. In the event of a default in the payment of principal of or interest on the insured portion of such Bonds, when all or some becomes due, any Owner of such insured Bonds may have a claim under the Policy secured in connection with the Bonds. The Policy may not insure against redemption premium, if any, with respect to the Bonds.

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

As a result of obtaining the Policy, the long-term ratings on the Bonds will be dependent in part on the financial strength of AGM and its claim paying ability. Such Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the Bonds insured by AGM will not be subject to downgrade, and such event could adversely affect the market price of the Bonds, or the marketability or liquidity for such Bonds.

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

Statutory Lien

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

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

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing August 1, 2019. Interest on the Bonds shall be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2019, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover pages hereof.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as the of the close of business on the 15th day of the month immediately preceding any Bond Payment Date (the "Record Date"), whether or not such day is a business day. Such interest is to be paid by wire transfer on such Bond Payment Date to such registered Owner to the bank and account number on file with the Paying Agent as of the Record Date. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Bond Insurance

Bond Insurance Policy. Concurrently with the issuance of the Bonds, AGM will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest with respect to the Bonds when due as set forth in the form of the Policy included as an APPENDIX H to this Official Statement.

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

Assured Guaranty Municipal Corp. AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM.

At December 31, 2018:

- The policyholders' surplus of AGM was approximately $2,533 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,034 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,873 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference.

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "THE BONDS – Bond Insurance – Assured Guaranty Municipal Corp" herein or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters.

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

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Annual Debt Service

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

	Measure Q Bonds		Measure R Bonds		
Year Ending August 1	Annual Principal Payment	Annual Interest Payment[1]	Annual Principal Payment	Annual Interest Payment[1]	Total Annual Debt Service
Total					

[1] Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2019.

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

Application and Investment of Bond Proceeds

The Measure Q and Measure R Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities within the District and to pay the costs of issuance thereof. The net proceeds from the sale of each series of the Bonds will be paid to the County to the credit of the respective building funds created by the Resolutions (each, a "Building Fund"), and will be applied solely for the purposes for which such series of Bonds are being issued. Interest earnings in the Building Funds will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the such Bonds are being issued, upon written notice from the District, will be transferred to the respective Debt Service Fund relating to such Bonds and applied to the respective payment of the principal of and interest thereon.

Any premium received by the County from the sale of each series of the Bonds, as well as *ad valorem* property taxes levied by the County for the payment of such Bonds when collected, shall be kept separate and apart in the respective Debt Service Fund and used only for payment of principal of and interest on the Bonds to which such Debt Service Fund relates. Any interest earnings on moneys held in each Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in a Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

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

Redemption

Optional Redemption.[*] The Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 20__ are subject to optional redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.[*] The Measure Q Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Term Measure Q Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

[*] Preliminary, subject to change.

Redemption Date (August 1)	Principal Amount

(1) Maturity.

In the event that a portion of the Measure Q Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Measure Q Bonds optionally redeemed.

The Measure R Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Term Measure R Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount

(1) Maturity.

In the event that a portion of the Term Measure R Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Measure R Bonds optionally redeemed.

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

Notice of Redemption. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds (or portions thereof). Such Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

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

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

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

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

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

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

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

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

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

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

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

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance

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

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

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

	Measure Q Bonds	Measure R Bonds
Sources of Funds		
Principal Amount of Bonds		
Net Original Issue Premium		
Total Sources		
Uses of Funds		
Building Fund		
Debt Service Fund		
Underwriter's Discount		
Costs of Issuance[1]		
Total Uses		

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

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The Counties levy and collect all property taxes for property falling within such county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the respective treasurer-tax collector (or equivalent officer) of the Counties. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

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

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

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

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts and community college districts (collectively, "K-14 school districts") will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year

For information regarding the secured tax charges and delinquencies within the District, see "Alternative Method of Tax Apportionment – 'Teeter Plan'" below.

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the applicable county in which such property is located, except for public utility property which is assessed by the State Board of Equalization ("SBE"). Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the State Constitution. For a discussion of how properties currently are assessed and re-assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Certain classes of property such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Economic and other factors beyond the District's control, such as general market decline in 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, wildfire, drought 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 respective annual tax rates levied by the Counties to pay the debt service with on the Bonds payable from taxes levied by the Counties to pay the debt service with the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. Because the District is not a community-supported district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Assessed Valuation of the District

Property within the District has a total assessed valuation for fiscal year 2018-19 of $4,528,571,920. Shown in the following table are the assessed valuations for the District for the period 2009-10 through 2018-19, as of the date the equalized assessment tax roll is established in August of each year.

ASSESSED VALUATIONS
Fiscal Years 2009-10 through 2018-19
South Monterey County Joint Union High School District

	Local Secured	Utility	Unsecured	Total	% Change
2009-10	$3,122,236,581	$1,195,848	$176,703,418	$3,300,135,847	--
2010-11	3,135,319,604	1,195,848	147,328,716	3,283,844,168	(0.49)%
2011-12	3,159,560,637	1,195,848	148,476,878	3,309,233,363	0.77
2012-13	3,335,117,181	957,746	144,786,104	3,480,861,031	5.19
2013-14	3,552,150,403	957,746	153,637,084	3,706,745,233	6.49
2014-15	3,760,299,790	957,746	164,593,995	3,925,851,531	5.91
2015-16	3,910,875,566	957,746	163,865,761	4,075,699,073	3.82
2016-17	3,649,304,222	1,056,056	159,296,088	3,809,656,366	(6.53)
2017-18	4,032,929,769	1,056,056	176,857,936	4,210,843,761	10.53
2018-19	4,327,451,023	1,068,757	200,052,140	4,528,571,920	7.55

Source: California Municipal Statistics, Inc.; Percent change figures provided by the Municipal Advisor.

The following table shows the assessed valuation for the District attributable to each county for the periods of 2009-10 through 2018-19.

ASSESSED VALUATIONS
Fiscal Years 2009-10 through 2018-19
South Monterey County Joint Union High School District

Monterey County Portion

	Local Secured	Utility	Unsecured	Total
2009-10	$3,083,246,243	$1,195,848	$175,411,581	$3,259,853,672
2010-11	3,095,930,482	1,195,848	146,194,933	3,243,321,263
2011-12	3,120,304,547	1,195,848	147,334,477	3,268,834,872
2012-13	3,295,211,390	957,746	143,739,379	3,439,908,515
2013-14	3,508,580,550	957,746	152,419,859	3,661,958,155
2014-15	3,716,426,905	957,746	163,425,660	3,880,810,311
2015-16	3,865,179,134	957,746	162,620,987	4,028,757,867
2016-17	3,601,855,287	1,056,056	158,069,866	3,760,981,209
2017-18	3,983,513,938	1,056,056	175,613,095	4,160,183,089
2018-19	4,277,112,378	1,068,757	198,941,465	4,477,122,600

San Benito County Portion

	Local Secured	Utility	Unsecured	Total
2009-10	$38,990,338	--	$1,291,837	$40,282,175
2010-11	39,389,122	--	1,133,783	40,522,905
2011-12	39,256,090	--	1,142,401	40,398,491
2012-13	39,905,791	--	1,046,725	40,952,516
2013-14	43,569,853	--	1,217,225	44,787,078
2014-15	43,872,885	--	1,168,335	45,041,220
2015-16	45,696,432	--	1,244,774	46,941,206
2016-17	47,448,935	--	1,226,222	48,675,157
2017-18	49,415,831	--	1,244,841	50,660,672
2018-19	50,538,645	--	1,110,675	51,449,320

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
South Monterey County Joint Union High School District

Non-Residential:	**2018-19 Assessed Valuation[1]**	**% of Total**	**No. of Parcels**	**% of Total**
Agricultural/Rural	$1,546,080,425	35.73%	3,976	30.13%
Commercial	218,498,298	5.05	343	2.60
Vacant Commercial	16,322,038	0.38	103	0.78
Industrial	196,650,390	4.54	72	0.55
Vacant Industrial	10,538,592	0.24	31	0.23
Oil & Gas	774,005,396	17.89	34	0.26
Government/Social/Institutional	3,900,575	0.09	419	3.18
Miscellaneous	15,034,284	0.35	160	1.21
Subtotal Non-Residential	$2,781,029,998	64.26%	5,138	38.94%
Residential:				
Single Family Residence	$1,309,370,600	30.26%	6,040	45.78%
Condominium	13,102,246	0.30	124	0.94
Mobile Home	7,776,947	0.18	316	2.40
Mobile Home Park	12,978,388	0.30	15	0.11
2-4 Residential Units	50,965,955	1.18	210	1.59
5+ Residential Units/Apartments	61,175,104	1.41	101	0.77
Vacant Residential	91,051,785	2.10	1,250	9.47
Subtotal Residential	$1,546,421,025	35.74%	8,056	61.06%
Total	$4,327,451,023	100.00%	13,194	100.00%

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

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Assessed Valuation by Jurisdiction. The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

ASSESSED VALUATION BY JURISDICTION[(1)]
Fiscal Year 2018-19
South Monterey County Joint Union High School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Greenfield	$717,458,787	15.84%	$717,458,787	100.00%
City of King City	819,005,557	18.09	819,005,557	100.00
Unincorporated Monterey County	2,940,658,256	64.94	33,338,499,036	8.82
Unincorporated San Benito County	51,449,320	1.14	4,236,884,798	1.21
Total District	$4,528,571,920	100.00%		
Summary by County:				
Monterey County	$4,477,122,600	98.86%	$66,729,286,211	6.71%
San Benito County	51,449,320	1.14	8,428,900,747	0.61
Total District	$4,528,571,920	100.00%		

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

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Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2018-19
South Monterey Joint Union High School District

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	6,040	$1,309,370,600	$216,783	$191,795

2018-19 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	60	0.993%	0.993%	$1,032,544	0.079%	0.079%
25,000 - 49,999	183	3.030	4.023	7,455,234	0.569	0.648
50,000 - 74,999	250	4.139	8.162	15,733,310	1.202	1.850
75,000 - 99,999	317	5.248	13.411	27,992,790	2.138	3.988
100,000 - 124,999	446	7.384	20.795	50,143,978	3.830	7.817
125,000 - 149,999	679	11.242	32.036	94,017,918	7.180	14.998
150,000 - 174,999	741	12.268	44.305	119,302,330	9.111	24.109
175,000 - 199,999	522	8.642	52.947	97,818,150	7.471	31.580
200,000 - 224,999	428	7.086	60.033	90,509,746	6.912	38.492
225,000 - 249,999	477	7.897	67.930	113,518,553	8.670	47.162
250,000 - 274,999	411	6.805	74.735	107,867,693	8.238	55.400
275,000 - 299,999	381	6.308	81.043	109,125,445	8.334	63.734
300,000 - 324,999	307	5.083	86.126	95,529,455	7.296	71.030
325,000 - 349,999	190	3.146	89.272	64,043,488	4.891	75.921
350,000 - 374,999	148	2.450	91.722	53,360,031	4.075	79.997
375,000 - 399,999	110	1.821	93.543	42,321,128	3.232	83.229
400,000 - 424,999	75	1.242	94.785	30,930,311	2.362	85.591
425,000 - 449,999	43	0.712	95.497	18,814,941	1.437	87.028
450,000 - 474,999	34	0.563	96.060	15,803,560	1.207	88.235
475,000 - 499,999	27	0.447	96.407	13,130,958	1.003	89.238
500,000 and greater	211	3.493	100.000	140,919,037	10.762	100.000
Total	6,040	100.000%		$1,309,370,600	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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Appeals and Adjustments of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. 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 XIIIA.

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

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

No assurance can be given that property tax appeals currently pending or in the future, actions by the county assessors, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates 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 will take over programs previously in the BOE 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 will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear 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.

Secured Tax Levies and Delinquencies

The following table shows secured tax levies within the District, and amounts delinquent as of June 30, for the fiscal years shown below

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2008-09 through 2017-18
South Monterey County Joint Union High School District

Tax Year	Secured Tax Charge(1)	Amt. Del. June 30	% Del. June 30
2008-09	$3,935,520.00	$156,418.37	3.97%
2009-10	3,976,246.00	121,031.73	3.04
2010-11	4,098,497.00	85,944.47	2.10
2011-12	4,071,382.00	70,305.80	1.73
2012-13	4,462,304.00	68,816.83	1.54
2013-14	4,809,343.00	53,991.63	1.12
2014-15	5,120,222.00	53,010.42	1.04
2015-16	5,269,170.00	47,920.89	0.91
2016-17	4,644,422.00	43,326.77	0.93
2017-18	5,227,513.00	45,715.91	0.87
Tax Year	**Secured Tax Charge(2)**	**Amt. Del. June 30**	**% Del. June 30**
2008-09	$1,371,742.00	$70,066.25	5.11%
2009-10	1,357,669.00	60,291.91	4.44
2010-11	1,422,084.00	38,322.52	2.69
2011-12	1,519,551.00	32,631.57	2.15
2012-13	1,144,874.00	24,204.77	2.11
2013-14	1,337,485.00	13,999.36	1.05
2014-15	1,719,685.00	13,993.34	0.81
2015-16	1,503,805.00	27,119.63	1.80
2016-17	1,512,167.00	30,109.21	1.99
2017-18	1,597,877.00	28,396.76	1.78

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

Alternative Method of Tax Apportionment – "Teeter Plan"

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

The Teeter Plan for San Benito County is applicable to all secured tax levies for which such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections.

The *ad valorem* property tax to be levied to pay the interest on and principal of general obligation bonds of the District will be subject to the Teeter Plan of San Benito County. The District will receive

100% of the *ad valorem* property tax levied in San Benito County to pay such bonds irrespective of actual delinquencies in the collection of the tax by San Benito County.

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

Monterey County. **The County of Monterey has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District.** The District's receipt of property taxes from those portions of the County subject to taxation by the District is therefore subject to delinquencies.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates levied by all taxing entities as a percentage of assessed value in a typical tax rate area within the District from 2014-15 to 2018-19.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES
Fiscal Years 2014-15 through 2018-19
South Monterey County Joint Union High School District

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

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
South Monterey County Joint Union High School District	.046496	.039087	.042191	.040291	.038224
King City Union School District	.061354	.057288	.057365	.057994	.057681
Hartnell Community College District	.020616	.021133	.019209	.037237	.037649
Total Tax Rate	1.128466%	1.117508%	1.118765%	1.135522%	1.133554%

TRAs 120-003[(3)]

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
South Monterey County Joint Union High School District	.046496	.039087	.042191	.040291	.038224
Hartnell Community College District	.020616	.021133	.019209	.037237	.037649
Total Tax Rate	1.067112%	1.060220%	1.061400%	1.077528%	1.075873%

(1) 2018-19 Assessed Valuation of TRA 2-000 is $306,538,535.
(2) 2018-19 Assessed Valuation of TRA 85-001 is $431,095,059.
(3) 2018-19 Assessed Valuation of TRA 120-003 is $410,060,969.
Source: California Municipal Statistics, Inc.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following tables list the 20 largest local secured taxpayers in the District in terms of their respective fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

The following table lists the major taxpayers in the District based on their 2018-19 secured assessed valuations.

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Chevron USA Inc.	Oil & Gas Production	$395,029,402	9.13%
2.	Aera Energy LLC	Oil & Gas Production	287,199,044	6.64
3.	Scheid Vineyards California Inc.	Agricultural	105,121,013	2.43
4.	Jerry J. Rava II	Agricultural	76,664,552	1.77
5.	Global AG Properties II USA LLC	Agricultural	66,065,379	1.53
6.	King City Cogen II LLC	Power Generation	51,370,000	1.19
7.	Salinas Land Co.	Agricultural	47,293,769	1.09
8.	Eagle Petroleum LLC	Oil & Gas Production	46,411,000	1.07
9.	California Resources Production Corp.	Oil & Gas Production	46,258,984	1.07
10.	Lone Oak Land Company LLC	Agricultural	43,626,603	1.01
11.	Terra Ventosa Vineyards LLC	Agricultural	41,963,452	0.97
12.	Sair Partnership 1 LLC	Agricultural	37,256,392	0.86
13.	Loma Del Rio Vineyards LLC	Agricultural	32,225,246	0.74
14.	M & A Hitchcock Family LP	Agricultural	31,919,907	0.74
15.	California Orchard Co.	Agricultural	29,040,869	0.67
16.	San Bernabe Vineyards LLC	Agricultural	28,527,607	0.66
17.	Fairview Real Properties LLC	Agricultural	27,592,010	0.64
18.	Monterey Wine Company LLC	Winery	27,020,857	0.62
19.	John Hancock Life Insurance Company	Agricultural	26,712,283	0.62
20.	Lohr Red & White 100 LP	Winery	26,420,347	0.61
			$1,473,718,716	34.06%

(1) 2018-19 local secured assessed valuation: $4,327,451,023.
Source: California Municipal Statistics, Inc.

Concentration of Top Taxpayers in Oil and Gas Production. In fiscal year 2018-19, the District's top 20 largest secured taxpayers owned approximately 34.06% of the property comprising the District's local secured assessed valuation. Of the 20 largest local secured taxpayers, four are in the oil and gas industry, and, together, own over 17.9% of the property comprising the District's local secured assessed valuation. Brief descriptions of the two largest property owners in the District, which are both in the oil and gas industry, as well as a discussion of the oil, gas and power sector in the State, follow.

Chevron USA Inc. Chevron ranked as number one in net oil-equivalent production in the State in 2017 and is one of the largest hydrocarbon producers in the United States. In 2018, Chevron produced 2.93 million net oil-equivalent barrels per day from operations around the world. Chevron is active in exploration and production across North America, particularly in the State, Texas, the Gulf of Mexico and Canada. The largest producer of oil and gas in the State's San Joaquin Valley and one of the largest producers of oil and gas in the Gulf of Mexico Shelf, Chevron is active in development across North America. Chevron operations in the County are located at the San Ardo Oil Field.

Aera Energy LLC. Aera Energy ("Aera") is one of the State's largest oil and gas producers, accounting for nearly 25% of the State's production. Much of the total production of Aera comes from the heavy oil fields of the San Joaquin Valley in Kern County, one of the largest oil-producing counties in the nation. Aera also produces crude oil from the San Ardo Oil Field located in the southern portion of the County.

Oil, Gas and Power Sector. As of January 2019, the State was ranked seventh in the nation in crude oil production (excluding federal offshore areas), despite an overall decline in production since the mid-1980's. The State's overall oil production for 2017 was 174.0 MMbl (millions of barrels), a decrease of approximately 6.8% from 2016. The San Ardo Oil Field is the State's eighth largest producing field. The following table provides a summary of San Ardo's oil production from the previous five years.

San Ardo Oil Production[(1)]

Field	2017	2016	2015	2014	2013
San Ardo	7.2	7.9	7.8	7.7	7.2

(1) Production in millions of barrels in the years indicated.
Source: California Department of Conservation, Division of Oil, Gas and Geothermal Resources, 2017 Annual Report.

Measure Z Litigation. A ballot measure to prohibit the use of hydraulic fracturing within the County was voted on and approved by registered voters of the County during an election on November 8, 2016 ("Measure Z"). Measure Z prohibits on all lands within the County's unincorporated area (i) well stimulation treatments — measures by which oil-producing companies render underground formations more permeable to facilitate the extraction of oil, effective as of the ballot passage date; (ii) underground wastewater injection and impoundment of wastewater, with a five-year phase out period; and (iii) drilling any new wells for the recovery of, or to aid in the recovery of, oil or gas, effective as of the ballot passage date. Chevron, Aera, and various other interested parties filed suit against the County in the Superior Court of California County of Monterey, seeking a writ of mandate against Measure Z's implementation. The Court approved an indefinite stay to the implementation of Measure Z pending the outcome of the suit. The Court granted a petition for intervention from Protect Monterey County, an advocacy group responsible for drafting Measure Z, and from Dr. Laura Solorio, a founding member of the group and signatory of Measure Z (the "Intervenors"). On December 28, 2017, the Court held that the prohibition against underground wastewater injection and impoundment of wastewater and the drilling any new wells for recovery of, or to aid in the recovery of, oil and gas, were preempted in their entirety by state and federal law. The Court held that the prohibition against well stimulation treatments was permissible. The County and the Intervenors filed appeals of the decision in the Sixth District Court of Appeal. In May 2018, the County determined not to further pursue its appeal. The appeal filed by the Intervenors is currently pending. The District cannot make any representation regarding the outcome of the litigation relating to Measure Z or what impact the outcome of such litigation may have on the assessed valuation of property within the District or the economic activity within the boundaries of the District.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report relating to the District (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of February 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of the date the Debt Report and whose territory overlaps the District, in whole or in part. Column 2 in the Debt Report shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3 of the Debt Report, which is the apportionment of each overlapping agency's outstanding debt to taxable property located the District.

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

2018-19 Assessed Valuation: $4,528,571,920

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 2/1/19**
Monterey County Water Resources Agency, Zone No. 2C	13.654%	$2,984,764
Hartnell Joint Community College District	15.854	32,282,179
South Monterey County Joint Union High School District	**100.000**	**2,490,000**(1)
Bradley Union School District	100.000	1,084,158
Greenfield Union School District	100.000	31,205,830
King City Union School District	100.000	6,069,534
San Antonio Union School District	100.000	2,045,000
Soledad Community Hospital District	1.243	2,610
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$78,164,075
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Monterey County General Fund Obligations	6.709%	$10,814,488
Monterey County Office of Education General Fund Obligations	6.709	94,932
South Monterey County Joint Union High School District General Fund Obligations	**100.000**	**10,040,000**
Greenfield Union School District Certificates of Participation	100.000	10,860,000
King City Union School District General Fund Obligations	100.000	1,072,598
City of Greenfield General Fund Obligations	100.000	1,182,998
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$34,065,016
Less: Monterey County supported obligations		2,690,296
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$31,374,720
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$18,695,000
GROSS COMBINED TOTAL DEBT		$130,924,091
NET COMBINED TOTAL DEBT		$128,233,795

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($2,490,000) 0.05%
Total Direct and Overlapping Tax and Assessment Debt...........................1.73%
Combined Direct Debt ($12,530,000)...0.28%
Gross Combined Total Debt..2.89%
Net Combined Total Debt 2.83%

Ratio to Redevelopment Incremental Valuation ($555,390,906):

Total Overlapping Tax Increment Debt..3.37%

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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.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

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

Legislation Implementing Article XIIIA

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

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

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

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

Unitary Property

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

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Propositions 98 and 111

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

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

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

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

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

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

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

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

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

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of

(1) 40.9% of State general fund revenues (“Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (“Test 2”). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, 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 amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Jarvis vs. Connell

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

Proposition 1A and Proposition 22

On November 2, 2004, 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 projected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

Proposition 2

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

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

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

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

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. The District makes no representation that it will either pursue or qualify for Proposition 51 state facilities funding.

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 Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $7,820 for grades K-3; (ii) $7,189 for grades 4-6; (iii) $7,403 for grades 7-8; and (iv) $8,801 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" herein for information on the adjusted Base Grants provided for by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. 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, 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). A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such district's percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2017-18, and projected figures for fiscal year 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2018-19
South Monterey County Joint Union High School District

Average Daily Attendance[1]		Enrollment	
Fiscal Year	Total ADA	Total Enrollment[2]	% of EL/LI Enrollment[3]
2013-14	1,829	1,962	82.77%
2014-15	1,900	2,035	83.04%
2015-16	2,036	2,159	80.95%
2016-17	2,147	2,259	76.30%
2017-18	2,149	2,302	76.37%
2018-19[4]	2,209	2,344	78.45%

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

(1) Except for fiscal year 2018-19, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Includes K-12, home and hospital, special education and community day school, but excludes charter school students and County-operated programs. An attendance month is each four-week period of instruction beginning with the first day of school for any school district.

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

(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) Projected.

Source: South Monterey County Joint Union High School District.

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

The sum of a school district's adjusted Base, Supplemental and Concentration Grants is multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts such as the District). This funding amount, together with any applicable ERT or categorical block grant add-ons, yields 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 State Legislature to school districts.

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

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

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

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts 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 to identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts to 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.

Other Revenue Sources

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

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from leases and rentals, interest earnings, interagency services, developer fees, redevelopment revenues, foundation revenues, and other local sources.

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 State of California Education Code, is to be followed by all California school districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective in fiscal year 2001-02 for the District, as well as any other governmental agency with annual revenues of $100 million or more. Revenue is recorded on an accrual basis except for district property taxes which are considered revenue in the year collections are made and therefore are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the fiscal year, are reflected as adjustments to fund balance.

Budget Process

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

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

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

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

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

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

Budgeting Trends. The table on the following page show the District's general fund adopted budgets for the years 2015-16 through 2018-19, general fund ending results for the fiscal years 2015-16 through 2017-18, and projected ending results for fiscal year 2018-19.

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GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2018-19
South Monterey County Joint Union High School District

	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19[2]	
REVENUES	Budgeted[1]	Ending[1]	Budgeted[1]	Ending[1]	Budgeted[1]	Ending[1]	Budgeted	Projected
LCFF Sources	$20,584,804	$20,812,217	$22,801,105	$23,337,443	$24,288,287	$23,815,901	$26,438,577	$26,487,910
Federal Sources	1,023,005	1,043,782	1,388,904	1,399,013	1,502,401	1,388,143	1,435,684	1,619,023
Other State Sources	4,022,440	2,416,351	3,974,396	4,211,304	1,978,957	2,130,348	1,501,643	2,340,545
Other Local Sources	1,479,546	1,686,754	1,599,278	1,913,117	1,606,772	2,171,816	1,398,854	1,428,843
TOTAL REVENUES	27,109,794	25,959,104	29,763,683	30,860,887	29,376,417	29,506,208	30,774,758	31,876,321
EXPENDITURES								
Certificated Salaries	8,874,126	8,542,170	10,419,286	10,489,812	11,111,920	11,080,819	12,538,503	12,498,385
Classified Salaries	2,682,177	2,694,362	3,143,007	3,013,611	3,502,415	3,345,067	3,785,252	3,940,918
Employee Benefits	3,771,564	4,109,619	5,118,418	5,423,545	6,171,417	5,928,416	7,153,794	7,249,849
Books and Supplies	2,174,407	2,023,807	2,136,888	1,728,230	2,563,079	2,082,507	1,832,701	2,205,825
Services and Operating Expenditures	6,869,815	4,346,227	7,103,455	4,425,892	6,570,218	4,516,776	4,819,241	5,924,452
Capital Outlay	108,051	169,173	512,122	761,340	1,151,758	1,632,795	239,600	1,855,989
Transfers of Indirect Costs	--	--	--	(31,450)	(45,789)	(37,901)	(47,890)	(49,144)
Other Outgo	1,596,527	1,693,170	1,770,879	1,904,571	2,203,792	2,144,555	2,353,553	2,147,258
TOTAL EXPENDITURES	25,986,667	23,578,528	30,204,055	27,715,551	33,228,810	30,693,034	32,674,754	35,773,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,123,127	2,380,576	(440,372)	3,145,326	(3,852,393)	(1,186,826)	(1,899,996)	(3,897,242)
OTHER FINANCING SOURCES (USES)								
Operating Transfers In	--	--	--	--	--	--	--	--
Operating Transfers Out	--	--	--	--	--	(5,230,000)[5]	--	--
Other Sources (Uses) – Net	--	--	--	--	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	--	--	--	--	--	(5,230,000)	--	--
NET CHANGE IN FUND BALANCES	1,123,127	2,380,576	(440,372)	3,145,326	(3,852,393)	(6,416,826)	(1,899,996)	(3,897,242)
Beginning Balance, July 1[6]	5,776,777[3]	5,776,777	8,157,353	8,157,353	11,508,335[3][4]	11,508,335	5,091,509[3]	5,091,509
Fund Balance, June 30	$6,899,904	$8,157,353	$7,716,981	$11,302,679	$7,655,942	$5,091,509	$3,191,518	$1,194,266

(1) From the District's Comprehensive Audited Financial Statements for fiscal years 2015-16 through 2017-18, respectively.
(2) From the District's first interim financial report for fiscal year 2018-19, dated as of December 12, 2018.
(3) Revised to reflect actual beginning fund balance for comparison purposes.
(4) Reflects a $205,656 audit adjustment from fiscal year 2016-17 ending balance of $11,302,679 due to an overstatement of accounts payable.
(5) The District transferred $5,230,000 to Fund 17, Special Reserve Fund for Other than Capital Outlay in fiscal year 2017-18 pursuant to the District's fiscal policy of maintaining a 17% reserve.
(6) Beginning balance does not reflect audit adjustment to the beginning fund balance to include the District's Fund 17, Special Reserve Fund for Other than Capital Outlay and Adult Education Fund in the general fund of the District.
See –"Comparative Financial Statements" below.
Source: South Monterey County Joint Union High School 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. Certain information from the financial statements follows. The District's audited financial statements for the year ended June 30, 2018 are included for reference in APPENDIX B hereto. The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

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AUDITED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND
Fiscal Years 2013-14 through 2017-18
South Monterey County Joint Union High School District[1]

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUES					
LCFF/Revenue Limit Sources	$14,564,175	$16,984,748	$20,812,217	$23,337,443	$23,815,901
Federal Sources	1,049,794	1,069,182	1,043,782	1,399,013	1,388,143
Other State Sources	1,605,229	1,217,251	2,495,987	4,313,385	2,130,348
Other Local Sources	1,384,378	1,883,956	1,711,669	1,950,738	2,374,109
TOTAL REVENUES	18,603,576	21,155,137	26,063,655	31,000,579	29,708,109
EXPENDITURES					
Instruction	8,802,174	9,744,383	11,493,601	13,881,398	14,836,376
Instruction-related Activities:					
Supervision of instruction	639,644	897,487	1,791,256	1,758,605	1,797,874
Instructional Library, Media, and Technology	106,546	128,759	117,518	130,555	290,636
School Site Administration	948,514	1,006,285	1,059,691	1,137,571	1,307,802
Pupil services:					
Home-to-School Transportation	809,251	766,177	828,875	775,019	884,212
Food Services	--	--	--	--	--
All Other Pupil Services	598,039	793,638	1,094,704	1,602,828	1,971,042
Administration:					
Data Processing	660,998	293,273	543,685	492,992	517,621
All Other Administration	1,181,607	1,570,404	1,369,343	1,618,114	1,605,445
Plant Services	1,609,343	2,048,761	2,906,530	2,429,132	2,814,331
Facility Acquisition and Construction	--	--	332,257	1,379,098	2,260,085
Ancillary Services	426,380	443,330	403,360	489,243	551,600
Community Services	--	--	--	12,850	20,305
Other Outgo	299,641	158,129	402,746	618,065	859,717
Debt Service					
Principal	535,000	555,000	580,000	605,000	630,000
Interest and other	355,962	712,614	710,424	681,506	654,838
TOTAL EXPENDITURES	16,973,099	19,118,240	23,633,990	27,611,976	31,001,884
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,630,477	2,036,897	2,429,665	3,388,603	(1,293,383)
OTHER FINANCING SOURCES (USES)					
Transfers In	--	--	--	--	--
Transfers Out	--	--	--	(2,500,000)[2]	--
Other Sources (Uses)	(13,515)	--	--	--	--
NET FINANCING SOURCES (USES)	(13,515)	--	--	(2,500,000)	--
NET CHANGE IN FUND BALANCE	1,616,962	2,036,897	2,429,665	888,603	(1,293,383)
Fund Balance – Beginning	5,120,307	6,737,269	8,774,166	11,203,831	12,092,434
Fund Balance – Ending	$6,737,269	$8,774,166	$11,203,831	$12,092,434	$10,799,051

(1) From the District's comprehensive audited financial statements for fiscal years 2013-14 through 2017-18, respectively. Reflects restricted and unrestricted General Fund, the Adult Education Fund, and the Special Reserve Fund for Oher than Capital Outlay Projects, in accordance with the fund type definitions promulgated by Governmental Accountability Standards Board ("GASB") Statement No. 54.

(2) Reflects a $2,500,000 transfer from the General Fund to the Debt Service Fund.

Source: South Monterey County Joint Union High School District.

State Budget Measures

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

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over $4.4 billion, including a $2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the $2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of $129.8 billion and total expenditures of $127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $16.7 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of $133.3 billion and authorizes expenditures of $138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $15.9 billion, including $2.0 billion in the traditional general fund reserve, $13.8 billion in the BSA and $200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at $71.6 billion, an increase of $252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion, reflecting an increase of $1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of $789 million, on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets

Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an increase of $1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by $579 (or 5.2%) from the prior year, up to $11,640.

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

- *Local Control Funding Formula* – An increase of $3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: $8,235 for grades K-3, $7,571 for grades 4-6, $7,796 for grades 7-8 and $9,269 for grades 9-12.

- *Low-Performing Students Block Grant* – $300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.

- *State System of Support* – An increase of $54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – $12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates $5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – $10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – $164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education, as well as $150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of $1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – $75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with $50 million earmarked for special education teachers and $25 million earmarked for bilingual and STEM teachers; and $50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Federal Funds for Academic Enrichment* – $165 million one-time federal ESSA Title IV funding for academic enrichment, with $121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – $21 million one-time and $25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.

- *Kindergarten Facilities* – $100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *Proposition 51* – a total allocation of $594 million in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary, and the LAO's review of, the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10% Under the Governor's new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at $80.7 billion, reflecting an increase of $2.8 billion (or 3.6%) from the revised prior-year level. Fiscal year 2019-20 is projected to be a "Test 3" year. With respect to K-12 education, ongoing per-pupil spending is set at $12,003, reflecting an increase of $435 from the prior year.

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

- *Local Control Funding Formula* – An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LFCC funding to $63 billion.

- *Categorical Programs* – An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- *Pension Costs* – A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability.

- *State System of Support* – An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *Special Education* – $577 million in Proposition 98 funding (of which $186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.

- *Preschool* – $125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- *Early Education* – An increase of $750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes $500 million for improvements to early education (including $245 million for facilities, $245 million for the child care workforce, and $10 million to improve access and quality).

- *County Offices of Education* – An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

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

Introduction

The District, previously known as the King City Joint Union High School District, changed its name on July 1, 2011 and is a 9-12 high school district and consists of approximately 2,500 square miles in California's Salinas Valley. The majority of the District lies in the County and includes the incorporated cities of Greenfield and King City. Monterey County is the 19th most populous county in the State, with most of its population concentrated in the northern portion of the County, in and around the city of Salinas. The District currently operates two 9-12 grade comprehensive high schools, one continuation school, and an independent study charter school. In addition, alternative education high school programs are operated at the comprehensive high school campuses. Enrollment in the District for fiscal year 2018-19 is projected to be 2,344 students. The District's projected ADA for fiscal year 2018-19 is 2,209. Taxable property within the District has a fiscal year 2018-19 assessed valuation of $4,528,571,920.

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

State Intervention

The District experienced multiple years of financial difficulties, leading to the need for state intervention. Pursuant to Senate Bill 130 ("SB 130") the State Superintendent assumed control of the District on July 23, 2009, in order to ensure the return to the District of fiscal solvency. SB 130 required the State Superintendent to assume all the rights, duties, and powers of the Board. The State Superintendent, in consultation with the Monterey County Office of Education Superintendent, appointed a State Administrator to act on behalf of the State Superintendent in exercising the authority described in SB 130. The State Administrator served under the direction and supervision of the State Superintendent until terminated by the State Superintendent at his or her discretion. SB 130 provided a $13 million emergency state loan or line of credit, which was refinanced on April 14, 2010 by the District through the California Infrastructure and Economic Development Bank for $14,395,000. See "DISTRICT FINANCIAL INFORMATION – District Debt Structure – Emergency State Loan and Lease Revenue Bonds" herein. The District does not expect to draw any additional emergency funds.

Under SB 130, the State Superintendent was authorized to suspend the authority of the District Board and assume all powers and duties thereof, and to delegate to the State Trustee the responsibilities of managing the District. During the period of time that the State Superintendent exercised the authority described in SB 130, the Board served as an advisory body reporting to the State Trustee, and exercised no duties or powers with respect to the management of the District.

Under SB 130, the District was required to have the Fiscal Crisis and Management Assistance Team ("FCMAT") conduct comprehensive assessments and complete improvement plans for specified key district service areas and to periodically report on the District's progress in these areas. When the State Administrator certified that a certain level of achievement is reached in a service area, FCMAT would recommend to the State Superintendent that control of that functional area should be returned to the governing board because the conditions of SB 130 pertaining to that functional area have been met. The authority of the State Superintendent and the State Administrator continued until a number of conditions relating to financial and operational improvements were satisfied, after which the Board would regain its rights, duties and powers. SB 130 differs from prior state emergency loans in that it also requires specific training for board members and staff who have management and personnel policy-making and advisory responsibilities to ensure that the District's leadership team has the knowledge and skills to discharge their responsibilities. FCMAT conducted its initial comprehensive review report in February 2010, and continued to conduct progress reports until May 2015. Additional information regarding SB 130, the initial report and the progress reports is available from FCMAT's website at http://www.fcmat.org/. However, such information is not incorporated herein by any reference.

Administration

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

The State Trustee continues to be authorized to stay and rescind any decisions made by the Board that have a fiscal impact. The State Trustee will continue to serve in this capacity for at least three years after the effective date and until it is determined that the District has adequate fiscal systems and controls in place and that the District's future compliance with financial recovery plans is probable. Pursuant to Education Code Section 41320.1, the County Superintendent shall maintain stay and rescind authority over actions that affect the financial condition of the District in the event that the State Trustee's period of service ends and the loan is still outstanding.

Board of Trustees. The District's Board of Trustees is comprised of five members, each member of which is elected at-large to a four year term. Elections for positions to the Board are held every two years, alternating between two and three available positions.

The State Trustee, together with the current elected members of the District Board, their offices and the dates their terms expire, are listed below.

Board Member[(1)]	Office	Term Expires
David Gaboni	President	December 2020
Leslie Girard	Clerk	December 2022
Paul Dake	Member	December 2020

(1) The Board currently has two vacancies due to resignations for personal reasons. The Board must appoint new members within 60 days from February 7, 2019 to fill the remaining terms. The Board is currently in the process of filling the vacancies.

Ms. Linda Grundhoffer was appointed as the State Trustee for the District in July 2016. Previously, she was selected as Interim Chief Business Official for the District in January 2010 and then appointed Chief Business Official in January, 2011. Ms. Grundhoffer has been in California school business for 41 years and has been CBO in several districts, including Martinez Unified, Lafayette

Elementary and Oakland Unified. She also consulted for FCMAT for several years. This job involved being sent into districts to evaluate their processes, policies and practices and to ascertain their fiscal status. Ms. Grundhoffer was appointed as the State Trustee for the West Contra Costa Unified School District in January, 2007. Ms. Grundhoffer attended Colorado State University, Ft. Collins, Barnes School of Commerce in Denver and has held a CBO Certification from CASBO since 1999.

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Brian Walker is currently the Superintendent of the District. Brief biographies for the Superintendent and Chief Business Official follow.

Dr. Brian Walker, Superintendent. Dr. Walker was appointed Superintendent of the District effective July 1, 2017. Immediately prior to joining the District, Dr. Walker served as the Superintendent of Dos Palos-Oro Loma Joint Unified School District for 12 years. He previously served as Assistant Superintendent, Principal, Assistant Principal, Athletic Director and teacher in Dos Palos-Oro Loma Joint Unified School District. Dr. Walker received his Doctor of Education degree in Educational Leadership and Policy Analysis from the University of Southern California, his Master of Arts degree in Educational Leadership from the University of San Francisco, and his Bachelor of Science degree in Secondary Education from Western Oregon University.

Sherrie Castellanos, Chief Business Official. Ms. Castellanos was appointed Chief Business Official of the District effective November 1, 2016. Immediately prior to joining the District, Ms. Castellanos was Business Manager of San Miguel Joint Union School District for nine years. She has over 13 years of experience working in schools. Ms. Castellanos received her Certificate in School Business Management from the University of Southern California.

Charter Schools

The California Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to both independent and affiliated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements.

The District is the sponsor of one charter school**,** Pinnacle Academy Independent Study Charter (the "Charter"). The Charter opened in August 2016. The Charter is a dependent charter, and pursuant to Education Code Section 47605, the Charter is required to have an annual financial audit performed. The Charter is included in the District's financial statements.

CHARTER SCHOOL ENROLLMENT
Fiscal Years 2016-17 through 2018-19
South Monterey County Joint Union High School District

Fiscal Year	Affiliated Charter School
2016-17	21
2017-18	62
2018-19[1]	77

[1] Projected.
Source: South Monterey County Joint Union High School District.

The District can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from the Charter Schools, and the corresponding financial impact on the District.

Average Daily Attendance and Enrollment

The District's total ADA for the 2017-18 academic year was 2,302 students and is projected to be 2,344 students for the 2018-19 academic year. The current student-teacher ratio in the District is 21:1 in grades 9-12.

The table on the following page reflects the ADA and enrollment for the District for the last 10 years, and a projected amount for fiscal year 2018-19.

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AVERAGE DAILY ATTENDANCE AND ENROLLMENT
Fiscal Years 2008-09 through 2018-19
South Monterey County Joint Union High School District

Fiscal Year	Total ADA[(1)]	Enrollment[(2)]
2008-09	1,964	2,134
2009-10	1,902	2,075
2010-11	1,763	2,028
2011-12	1,733	1,875
2012-13	1,713	1,848
2013-14	1,683	1,821
2014-15	2,035	1,900
2015-16	2,159	2,036
2016-17	2,259	2,147
2017-18	2,302	2,149
2018-19[(3)]	2,344	2,209

Note: ADA figures are rounded to the nearest whole number.
(1) Except for fiscal year 2018-19, reflects P-2 ADA. Includes K-12, home and hospital, special education and community day school, but excludes charter school students and County-operated programs.
(2) Except for fiscal year 2018-19, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Includes K-12, home and hospital, special education and community day school, but excludes charter school students and County-operated programs. An attendance month is each four-week period of instruction beginning with the first day of school for any school district. Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made by the California Department of Education. Excludes charter school enrollment.
(3) Projected.
Source: South Monterey County Joint Union High School District.

Labor Relations

The District currently employs approximately 116 full-time certificated employees and 50 classified employees. The District employs 16 management and administrative employees. In addition, the District employs 39 part-time faculty and staff. District employees, except management and some part-time employees, are represented by two bargaining units as noted below.

BARGAINING UNITS
South Monterey County Joint Union High School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
South Monterey Joint Union High School District Teachers Association	110	June 30, 2020
California School Employees Association	88	June 30, 2019

Source: South Monterey County Joint Union High School District.

District Retirement Systems

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

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

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

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. While the contribution rate for employees hired after the Implementation Date (defined below) will remain unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, the STRS actuary currently estimates that member contribution rates for such members will have to increase to 10.205% of creditable compensation effective July 1, 2018, based on the new actuarial assumptions discussed below.

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

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

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

Source: AB 1469.

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

The District's contribution to STRS was $606,816 in fiscal year 2014-15, $894,453 in fiscal year 2015-16, $1,300,186 in fiscal year 2016-17 and $1,512,127 in fiscal year 2017-18. The District has projected $1,981,136 as its contribution to STRS for fiscal year 2018-19.

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll for fiscal year 2017-18. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for fiscal year 2017-18 and will be 18.062% for fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18 and will be 7% in fiscal year 2018-19. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS was $260,841 in fiscal year 2014-15, $291,028 in fiscal year 2015-16, $382,975 in fiscal year 2016-17 and $492,426 in fiscal year 2017-18. The District has projected $754,303 as its contribution to PERS for fiscal year 2018-19.

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

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

FUNDED STATUS
Fiscal Years 2010-11 through 2016-17
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [(1)]

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[(2)]	Unfunded Liability (MVA)[(2)]	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[(4)]	--[(4)]
2014-15	73,325	56,814	16,511	--[(4)]	--[(4)]
2015-16	77,544	55,785	21,759	--[(4)]	--[(4)]
2016-17[(5)]	84,416	60,865	23,551	--[(4)]	--[(4)]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 18, 2018, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2018-19 and released certain actuarial information to be incorporated into the June 30, 2017 actuarial valuation to be released in summer 2018.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

Based on the change in actuarial assumptions adopted by the STRS Board, recent investment experience and the insufficiency of the contributions received in fiscal year 2015-16 to cover interest on the unfunded actuarial obligation, the 2016 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by $20.5 billion since the June 30, 2015 actuarial valuation and the funded ratio decreased by 4.8% to 63.7% over such time period. Had the investment rate of return been lowered to 7.00% for the 2016 STRS Actuarial Valuation, the unfunded actuarial obligation and the funded ratio would have been $105.1 billion and 61.8%, respectively. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2016 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and will go into effect July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

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

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2018 actuarial valuation, (iii) and certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

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

On April 18, 2018, the PERS Board established the employer contribution rates for 2018-19 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer of 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

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

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

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("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.

As of June 30, 2018, the District's reported shares of the net pension liabilities for STRS and PERS were $17,172,356 and $5,153,866, respectively. For more information, see "— Existing Indebtedness – Long-Term Debt" herein and "APPENDIX B –AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 – Note 11" attached hereto.

Other Post-Employment Benefits

Plan Description. The District administers a single-employer defined benefit (the "Plan") that provides post-employment medical, dental, and vision insurance benefits (the "Benefits") to eligible retirees of the District and their beneficiaries. Employees are eligible for the Benefits after reaching the age of 55, and with 15 or more years of service to the District.

Retired Plan members and beneficiaries currently receiving benefits are eligible to retire upon attaining age 55 with 15 or more years of service. The District reimburses certificated and classified retirees for premium cost of medical coverage (employee only) up to the active cap in place at retirement until the age of 65. As of February 14, 2019, 10 retirees and beneficiaries met these eligibility requirements and were Post-Employment Benefit recipients, and the plan had 172 active members.

Funding Policy. Expenditures for the Benefits are recognized on a pay-as-you-go basis to cover the cost of premiums for current retirees. For fiscal year 2014-15 through 2017-18, the District contributed \$177,229, \$197,078, \$152,793 and \$148,960 to the Plan, respectively. The District has projected \$199,992 for such expenditures in fiscal year 2018-19. The District has not established an irrevocable trust (the "OPEB Trust") to begin funding its accrued liability for the Benefits as of June 30, 2018.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 (each, "GASB 74" and "GASB 75") with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the Net OPEB Liability and a sensitivity analysis of the Net OPEB Liability to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District's financial statements for fiscal year 2017-18. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. For fiscal year 2017-18, the District reported a Total OPEB Liability of \$3,889,027, a Fiduciary Net Position of \$0 and a Net OPEB Liability of \$3,889,027. See also "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 – Note 10" attached hereto.

Net OPEB Obligation. As of June 30, 2018, the District recognized a net balance sheet asset (the "Net OPEB Asset") of $(3,889,027) with respect to its accrued liability for the Post-Employment Benefits. The Net OPEB Asset is based on the District's contributions towards the ARC during fiscal year 2017-18, plus interest on the prior year's Net OPEB Asset and minus any adjustments to reflect the amortization thereof. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 – Note 10" attached hereto.

Actuarial Study. The District's most recent actuarial study, dated as of November 25, 2018, calculated the District's accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2018 valuation date, the District's Total OPEB Liability was $3,889,027, its Fiduciary Net Position was $0 and its Net OPEB Liability was $3,889,027.

Risk Management

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

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

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

See also APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 – Note 13" attached hereto.

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District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Accretions/ Additions	Deductions	Balance June 30, 2018
General obligation bonds	$5,545,000	--	$1,485,000	$4,060,000
Unamortized Premium	105,556	--	26,496	79,060
Total General Obligation Bonds	5,650,556	--	1,511,496	4,139,060
Lease Revenue Bonds	11,330,000	--	630,000	10,700,000
Capital leases	140,495	--	68,425	72,250
Compensated absences	223,808	50,824	--	274,632
Total OPEB Liability	3,438,188	450,839	--	3,889,027
Net Pension Liability	17,859,031	4,467,191	--	22,326,222
Totals	$38,642,078	$4,968,854	$2,209,741	$41,401,191

Source: South Monterey County Joint Union High School District.

Emergency State Loan and Lease Revenue Bonds. On July 22, 2009, the District obtained an emergency state apportionment loan pursuant to SB 130. SB 130 provided a $13 million emergency state loan or line of credit of which $5,000,000 was required to be funded from the State's general fund. The State Superintendent, in consultation with the Monterey County Office of Education Superintendent, appointed a State Administrator to act on behalf of the State Superintendent in exercising the authority described in SB 130. See "THE DISTRICT – State Intervention" herein.

On April 7, 2010, the California Infrastructure and Economic Development Bank issued $14,395,000 in lease revenue bonds (the "Lease Revenue Bonds"). The Lease Revenue Bonds were issued to reimburse the State's general fund and to fund operating expenses of the District in the amount of $8,000,000. The lease payments with respect to the Lease Revenue Bonds will be made by an intercept of the apportionments due to the District by the State Controller's Office, and held by U.S. Bank National Association as the Trustee until the principal and interest bond payments are due. These intercept apportionments are included in the District's budget.

The outstanding Lease Revenue bonded debt of the District as of June 30, 2018 is as follows:

Fiscal Year June 30	Principal	Interest	Totals
2019	$660,000	$566,694	$1,229,694
2020	695,000	531,125	1,226,125
2021	735,000	493,588	1,228,588
2022	770,000	454,563	1,224,563
2023	810,000	414,075	1,224,075
2024-2028	4,735,000	1,358,747	6,093,747
2029-2030	2,295,000	133,831	2,428,831
Total	$10,700,000	$3,952,623	$14,652,623

Source: South Monterey County Joint Union High School District.

Capital Leases. The District has entered into an agreement to lease various facilities and equipment that provide title to pass upon expiration of the lease period. The District's liability on the lease agreement with the option to purchase is summarized below:

Fiscal Year	**Lease Payments**
2018-19	$74,012
Total	$74,012
Less: Amount representing interest	(1,762)
Present value of minimum lease payments	$72,250

Source: South Monterey County Joint Union High School District.

General Obligation Bonds. The District issued 2012 General Obligation Refunding Bonds in the principal amount of $11,820,000 on April 3, 2012. The proceeds were used to refund all of the District's outstanding 1998 General Obligation Refunding Bonds. General obligations bonds of the District are payable solely from *ad valorem* property taxes levied on taxable property within the District. The District's general fund is not a source of repayment for such bonds. The following table summarizes the outstanding general obligation bond debt of the District.

Fiscal Year June 30	**Principal**	**Interest**	**Totals**
2019	$1,570,000	$160,256	$1,730,256
2020	1,665,000	113,156	1,778,156
2021	825,000	29,906	854,906
Total	$4,060,000	$303,318	$4,363,318

Source: South Monterey County Joint Union High School District.

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Measure Q Bonds. Pursuant to the Measure Q Authorization, the District has proposed issuance this first series of bonds on behalf of the District. The District expects to have $8,000,000* of bond authorization remaining. Such bonds are payable solely from *ad valorem* property taxes levied within the boundaries of the District. The following table shows the annual debt service requirements of the District's bonds.

GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
South Monterey County Joint Union High School District

	Election of 2018, Measure Q	
Year (Aug. 1)	**Series A Bonds**	**Total Annual Debt Service**
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2053		
Total		

Source: South Monterey County Joint Union High School District.

* Preliminary, subject to change.

Measure R Bonds. Pursuant to the Measure R Authorization, the District has proposed issuance this first series of bonds on behalf of the District. The District expects to have \$8,000,000* of bond authorization remaining. Such bonds are payable solely from *ad valorem* property taxes levied within the boundaries of the District. The following table shows the annual debt service requirements of the District's bonds.

GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
South Monterey County Joint Union High School District

	Election of 2018, Measure R	
Year (Aug. 1)	**Series A-1 Bonds**	**Total Annual Debt Service**
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2053		
Total		

Source: South Monterey County Joint Union High School District.

* Preliminary, subject to change.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Bond Owner of the Bonds is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

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

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

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

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

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

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

LIMITATION ON REMEDIES; BANKRUPTCY

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

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

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Statutory Lien" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

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

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

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

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2015 ("TIPRA"), interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (each, an "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2018-19 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District failed to file annual reports in a timely manner, as required by is prior continuing disclosure undertakings pursuant to the Rule. The District has also failed within the past five years to file notice of certain listed events, as required by such prior undertakings.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Legal Opinion

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

MISCELLANEOUS

Ratings

The Bonds are expected to be assigned a rating of "AA" by S&P based upon the issuance of the Policy by Assured Guaranty Municipal Corp. The Bonds have also been assigned an underlying rating of "A+" by S&P. Such ratings reflect only the views of S&P and any desired explanation of the significance of such ratings should be obtained therefrom at the following address: S&P, 55 Water Street, New York, NY 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance the ratings on the Bonds will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of such rating agency, the circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price for the Bonds.

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

Financial Statements

The District's audited financial statements with required supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, the related statements of activities and of cash flows for the year then ended, and the report dated December 11, 2018 of Christy White Associates (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

Citigroup Global Markets Inc. (the "Underwriter") has agreed to purchase all of the Bonds for a purchase price of $__________ (consisting of the principal amount of the Bonds of $___________, plus original issue premium of $___________, and less an Underwriter's discount of $__________).

The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

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

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The Underwriter has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, the Underwriter may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, the Underwriter will compensate Fidelity for its selling efforts with respect to the Bonds.

Additional Information

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

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

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

By: ______________________________

Dr. Brian Walker
Superintendent

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL FOR THE BONDS

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

[Closing Date]

Board of Trustees
South Monterey County Joint Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $__________ South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2018 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, (ii) a 55% vote of the qualified electors of the South Monterey County Joint Union High School District (the "District") voting at an election held on November 6, 2018, and (iii) a resolution of the Board of Trustees of the District (the "Bond Resolution").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

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

Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

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

[Closing Date]

Board of Trustees
South Monterey County Joint Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $__________ South Monterey County Joint Union High School District (Monterey and San Benito Counties, California) Election of 2018 General Obligation Bonds, Series A-1 (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, (ii) a 55% vote of the qualified electors of the South Monterey County Joint Union High School District (the "District") voting at an election held on November 6, 2018, and (iii) a resolution of the Board of Trustees of the District (the "Bond Resolution").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative

minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18

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SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Monterey County Joint Union High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the South Monterey County Joint Union High School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 South Monterey County Joint Union High School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 South Monterey County Joint Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, 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 South Monterey County Joint Union High School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is 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.

The supplementary information listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 11, 2018 on our consideration of South Monterey County Joint Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Monterey County Joint Union High School District's internal control over financial reporting or on compliance.. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Monterey County Joint Union High School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 11, 2018

INTRODUCTION

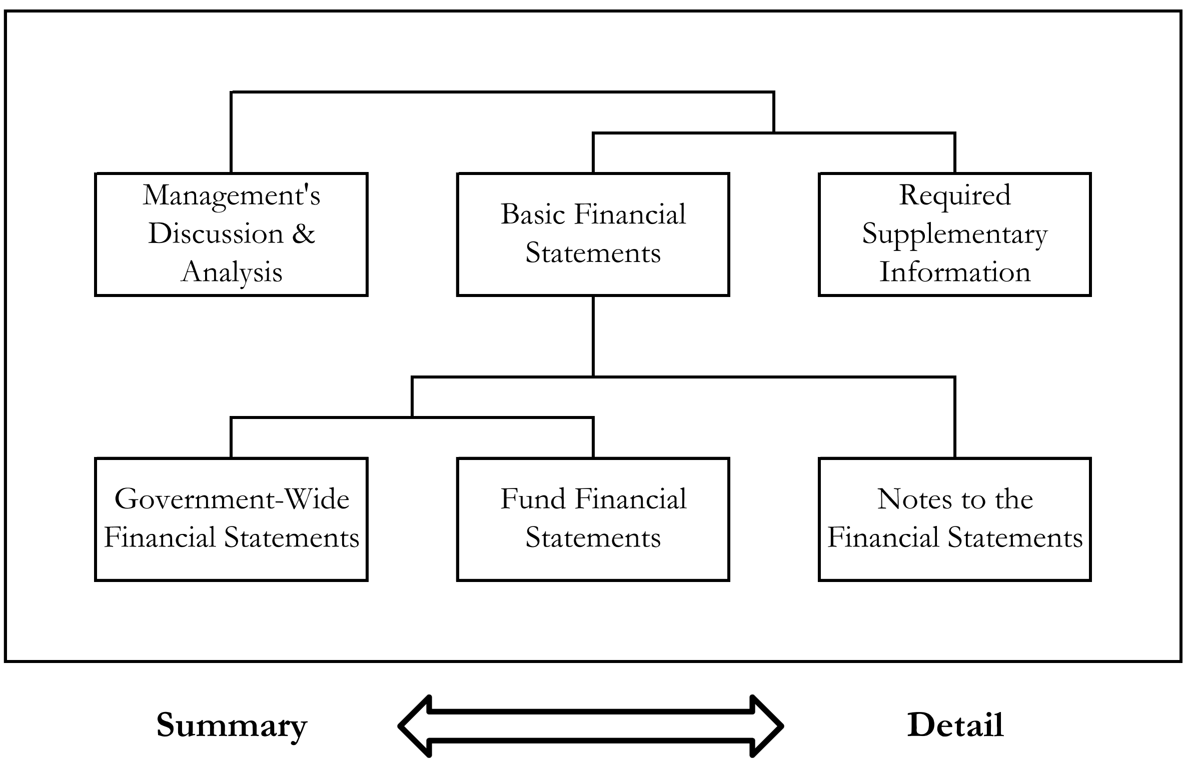
Our discussion and analysis of South Monterey County Joint Union High School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was $31,529 at June 30, 2018. This was an increase of $1,447,123 from the prior year after restatement.
- Overall revenues were $32,641,899 which exceeded expenses of $31,194,776.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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.

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $31,529 at June 30, 2018, as reflected in the table below. Of this amount, $(18,936,969) 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		
	2018	**2017**	**Net Change**
ASSETS			
Current and other assets	$ 21,009,594	$ 20,588,515	$ 421,079
Capital assets	16,675,675	15,176,298	1,499,377
Total Assets	37,685,269	35,764,813	1,920,456
DEFERRED OUTFLOWS OF RESOURCES	9,577,556	5,914,595	3,662,961
LIABILITIES			
Current liabilities	6,560,069	5,185,957	1,374,112
Long-term liabilities	39,072,445	34,034,093	5,038,352
Total Liabilities	45,632,514	39,220,050	6,412,464
DEFERRED INFLOWS OF RESOURCES	1,598,782	1,476,708	122,074
NET POSITION			
Net investment in capital assets	12,464,365	9,385,247	3,079,118
Restricted	6,504,133	6,685,052	(180,919)
Unrestricted	(18,936,969)	(15,087,649)	(3,849,320)
Total Net Position	$ 31,529	$ 982,650	$ (951,121)

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		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	$ 247,800	$ 252,402	$ (4,602)
Operating grants and contributions	4,078,179	7,140,219	(3,062,040)
General revenues			
Property taxes	8,337,073	7,515,369	821,704
Unrestricted federal and state aid	18,675,477	18,623,378	52,099
Other	1,303,370	934,665	368,705
Total Revenues	32,641,899	34,466,033	(1,824,134)
EXPENSES			
Instruction	15,515,002	14,907,205	607,797
Instruction-related services	3,546,307	3,188,092	358,215
Pupil services	3,754,469	3,085,852	668,617
General administration	2,297,912	2,110,604	187,308
Plant services	3,183,365	2,722,059	461,306
Ancillary and community services	572,789	511,399	61,390
Debt service	786,264	861,575	(75,311)
Other outgo	872,375	618,065	254,310
Depreciation	666,293	583,445	82,848
Total Expenses	31,194,776	28,588,296	2,606,480
Change in net position	1,447,123	5,877,737	(4,430,614)
Net Position - Beginning, as Restated	(1,415,594)	(4,895,087)	3,479,493
Net Position - Ending	$ 31,529	$ 982,650	$ (951,121)

The cost of all our governmental activities this year was $31,194,776 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only $8,337,073 because a portion the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions and through other charges for services.

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	
	2018	**2017**
Instruction	$ 13,105,028	$ 9,502,927
Instruction-related services	3,339,381	2,819,561
Pupil services	2,364,511	1,846,204
General administration	2,184,113	1,959,493
Plant services	3,183,365	2,720,917
Ancillary and community services	553,263	482,640
Debt service	786,264	861,575
Transfers to other agencies	686,579	418,913
Depreciation	666,293	583,445
Total Expenses	$ 26,868,797	$ 21,195,675

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 $17,064,051, which is less than last year's ending fund balance of $17,928,455. The District's General Fund had $1,293,383 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Debt Service Fund had $16,594 more in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018, the District had invested $16,675,675 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 193,279	$ 187,244	$ 6,035
Construction in progress	145,162	271,047	(125,885)
Land improvements	319,744	-	319,744
Buildings & improvements	28,264,162	26,439,689	1,824,473
Furniture & equipment	2,329,555	2,188,252	141,303
Accumulated depreciation	(14,576,227)	(13,909,934)	(666,293)
Total Capital Assets	$ 16,675,675	$ 15,176,298	$ 1,499,377

Long-Term Debt

At year-end, the District had $39,072,445 in long-term debt, an increase of 7% from the prior year after restatement – 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		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 4,139,060	$ 5,650,556	$ (1,511,496)
Lease revenue bonds	10,700,000	11,330,000	(630,000)
Capital leases	72,250	140,495	(68,245)
Compensated absences	274,632	223,808	50,824
Total OPEB liability*	3,889,027	3,438,188	450,839
Net pension liability	22,326,222	17,859,031	4,467,191
Less: current portion of long-term debt	(2,328,746)	(2,209,741)	(119,005)
Total Long-term Liabilities	$ 39,072,445	$ 36,432,337	$ 2,640,108

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

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.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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 2018-19 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 Business Services Office at the South Monterey County Joint Union High School District, 800 Broadway, King City, CA 93930, (831) 385-0606.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS		
Cash and investments	$	20,417,427
Accounts receivable		441,116
Inventory		13,795
Prepaid expenses		137,256
Capital assets, not depreciated		338,441
Capital assets, net of accumulated depreciation		16,337,234
Total Assets		37,685,269
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		9,577,556
Total Deferred Outflows of Resources		9,577,556
LIABILITIES		
Accrued liabilities		3,830,651
Unearned revenue		400,672
Long-term liabilities, current portion		2,328,746
Long-term liabilities, non-current portion		39,072,445
Total Liabilities		45,632,514
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		1,598,782
Total Deferred Inflows of Resources		1,598,782
NET POSITION		
Net investment in capital assets		12,464,365
Restricted:		
Capital projects		143,026
Debt service		5,260,850
Educational programs		856,070
All others		244,187
Unrestricted		(18,936,969)
Total Net Position	$	31,529

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	$ 15,515,002	$ 13,768	$ 2,396,206	$ (13,105,028)
Instruction-related services				
Instructional supervision and administration	1,823,058	-	159,515	(1,663,543)
Instructional library, media, and technology	305,600	-	-	(305,600)
School site administration	1,417,649	-	47,411	(1,370,238)
Pupil services				
Home-to-school transportation	936,761	-	117,601	(819,160)
Food services	792,815	217,850	589,219	14,254
All other pupil services	2,024,893	-	465,288	(1,559,605)
General administration				
Centralized data processing	535,552	-	-	(535,552)
All other general administration	1,762,360	12,620	101,179	(1,648,561)
Plant services	3,183,365	-	-	(3,183,365)
Ancillary services	552,484	-	2,579	(549,905)
Community services	20,305	3,562	13,385	(3,358)
Interest on long-term debt	786,264	-	-	(786,264)
Other outgo	872,375	-	185,796	(686,579)
Depreciation (unallocated)	666,293	-	-	(666,293)
Total Governmental Activities	$ 31,194,776	$ 247,800	$ 4,078,179	(26,868,797)

General revenues	
Taxes and subventions	
Property taxes, levied for general purposes	6,494,296
Property taxes, levied for debt service	1,738,433
Property taxes, levied for other specific purposes	104,344
Federal and state aid not restricted for specific purposes	18,675,477
Interest and investment earnings	268,062
Interagency revenues	12,658
Miscellaneous	1,022,650
Subtotal, General Revenue	28,315,920
CHANGE IN NET POSITION	1,447,123
Net Position - Beginning, as Restated	(1,415,594)
Net Position - Ending	$ 31,529

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 13,964,351	$ 3,766,717	$ 2,686,359	$ 20,417,427
Accounts receivable	403,738	-	37,378	441,116
Due from other funds	44,267	-	24,278	68,545
Stores inventory	-	-	13,795	13,795
Prepaid expenditures	137,256	-	-	137,256
Total Assets	$ 14,549,612	$ 3,766,717	$ 2,761,810	$ 21,078,139
LIABILITIES				
Accrued liabilities	$ 3,325,611	$ -	$ 219,260	$ 3,544,871
Due to other funds	24,278	-	44,267	68,545
Unearned revenue	400,672	-	-	400,672
Total Liabilities	3,750,561	-	263,527	4,014,088
FUND BALANCES				
Nonspendable	143,256	-	13,795	157,051
Restricted	853,498	3,766,717	2,169,698	6,789,913
Assigned	1,847,665	-	314,790	2,162,455
Unassigned	7,954,632	-	-	7,954,632
Total Fund Balances	10,799,051	3,766,717	2,498,283	17,064,051
Total Liabilities and Fund Balances	$ 14,549,612	$ 3,766,717	$ 2,761,810	$ 21,078,139

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 17,064,051
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	$ 31,251,902	
Accumulated depreciation	(14,576,227)	16,675,675
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(285,780)
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	$ 4,139,060	
Lease revenue bonds	10,700,000	
Capital leases	72,250	
Compensated absences	274,632	
Total OPEB liability	3,889,027	
Net pension liability	22,326,222	(41,401,191)
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	$ 9,577,556	
Deferred inflows of resources related to pensions	(1,598,782)	7,978,774
Total Net Position - Governmental Activities		$ 31,529

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 23,815,901	$ -	$ 551,519	$ 24,367,420
Federal sources	1,388,143	-	571,282	1,959,425
Other state sources	2,130,348	-	72,699	2,203,047
Other local sources	2,374,109	16,594	2,191,147	4,581,850
Total Revenues	29,708,501	16,594	3,386,647	33,111,742
EXPENDITURES				
Current				
Instruction	14,836,376	-	247,185	15,083,561
Instruction-related services				
Instructional supervision and administration	1,797,874	-	-	1,797,874
Instructional library, media, and technology	290,636	-	-	290,636
School site administration	1,307,802	-	99,486	1,407,288
Pupil services				
Home-to-school transportation	884,212	-	-	884,212
Food services	-	-	780,911	780,911
All other pupil services	1,971,042	-	-	1,971,042
General administration				
Centralized data processing	517,621	-	-	517,621
All other general administration	1,605,445	-	44,267	1,649,712
Plant services	2,814,331	-	48,212	2,862,543
Facilities acquisition and maintenance	2,260,085	-	-	2,260,085
Ancillary services	551,600	-	-	551,600
Community services	20,305	-	-	20,305
Transfers to other agencies	859,717	-	12,658	872,375
Debt service				
Principal	630,000	-	1,553,245	2,183,245
Interest and other	654,838	-	188,298	843,136
Total Expenditures	31,001,884	-	2,974,262	33,976,146
NET CHANGE IN FUND BALANCE	(1,293,383)	16,594	412,385	(864,404)
Fund Balance - Beginning	12,092,434	3,750,123	2,085,898	17,928,455
Fund Balance - Ending	$ 10,799,051	$ 3,766,717	$ 2,498,283	$ 17,064,051

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

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds		$	(864,404)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay:	$ 2,165,670		
Depreciation expense:	(666,293)		1,499,377
Debt service:			
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			2,183,245
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:			30,376
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:			(50,824)
Postemployment benefits other than pensions (OPEB):			
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:			(450,839)
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:			(926,304)
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:			26,496
Change in Net Position of Governmental Activities		$	1,447,123

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

	Agency Funds
	Student Body Fund
ASSETS	
Cash and investments	$ 75,936
Total Assets	$ 75,936
LIABILITIES	
Due to student groups	$ 75,936
Total Liabilities	$ 75,936

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades 9-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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

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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – 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.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

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.

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

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:

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

Cafeteria Special Revenue 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 Special Revenue 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

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)

C. Basis of Presentation (continued)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections* 48930–48938).

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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)

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.

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

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 through June 30, 2018

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

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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

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 is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Fiduciary Funds
Investment in county treasury	$ 17,778,269	$ -
Cash on hand and in banks	250	75,936
Cash with fiscal agent	2,229,005	-
Cash in revolving fund	6,000	-
Cash collections awaiting deposit	403,903	-
Total cash and investments	$ 20,417,427	$ 75,936

B. Policies and Practices

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

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

Cash with Fiscal Agent – The amount of $2,229,005 represents cash held by U.S. Bank as trustee for the repayment of State Fund Apportionment Lease Revenue Bonds. This amount is fully collateralized.

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $17,718,438 and an amortized book value of $17,778,269. The average weighted maturity for this pool is 233 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were not rated.

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, 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, 2018 were as follows:

	Uncategorized
Investment in county treasury	$ 17,718,438
Total fair market value of investments	$ 17,718,438

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 222,459	$ 28,588	$ 251,047
State Government			
Categorical aid	10,364	1,992	12,356
Lottery	110,036	1,096	111,132
Local Government			
Other local sources	60,879	5,702	66,581
Total	$ 403,738	$ 37,378	$ 441,116

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 187,244	$ 6,035	$ -	$ 193,279
Construction in progress	271,047	135,281	261,166	145,162
Total Capital Assets not Being Depreciated	458,291	141,316	261,166	338,441
Capital assets being depreciated				
Land improvements	-	319,744	-	319,744
Buildings & improvements	26,439,689	1,824,473	-	28,264,162
Furniture & equipment	2,188,252	141,303	-	2,329,555
Total Capital Assets Being Depreciated	28,627,941	2,285,520	-	30,913,461
Less Accumulated Depreciation				
Land improvements	-	1,332	-	1,332
Buildings & improvements	12,575,064	562,763	-	13,137,827
Furniture & equipment	1,334,870	102,198	-	1,437,068
Total Accumulated Depreciation	13,909,934	666,293	-	14,576,227
Governmental Activities				
Capital Assets, net	$ 15,176,298	$ 1,760,543	$ 261,166	$ 16,675,675

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Payables/Receivables (Due To/From)

Interfund payables/receivables at June 30, 2018 consisted of the following:

	Due From Other Funds		
Due To Other Funds	**General Fund**	**Non-Major Governmental Funds**	**Total**
General Fund	$ -	$ 24,278	$ 24,278
Non-Major Governmental Funds	44,267	-	44,267
Total Due From Other Funds	$ 44,267	$ 24,278	$ 68,545

Due from the General Fund to the Charter Schools Fund to record cash in lieu of property tax payments.	$ 24,278
Due from the Cafeteria Fund to the General Fund for indirect costs.	32,907
Due from the Capital Facilities Fund to the General Fund to record administrative fee payable.	11,360
Total	$ 68,545

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 330,434	$ 12,330	$ -	$ 342,764
Construction	188,742	160,691	-	349,433
Vendors payable	2,229,007	46,239	-	2,275,246
Unmatured interest	-	-	285,780	285,780
Due to grantor government	577,428	-	-	577,428
Total	$ 3,325,611	$ 219,260	$ 285,780	$ 3,830,651

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018 consisted of $400,672 in the General Fund with $273,025 related to state categorical sources and $127,647 related to federal categorical sources.

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 5,545,000	$ -	$ 1,485,000	$ 4,060,000	$ 1,570,000
Unamortized premium	105,556	-	26,496	79,060	26,496
Total general obligation bonds	5,650,556	-	1,511,496	4,139,060	1,596,496
Lease revenue bonds	11,330,000	-	630,000	10,700,000	660,000
Capital leases	140,495	-	68,245	72,250	72,250
Compensated absences	223,808	50,824	-	274,632	-
Total OPEB liability	3,438,188	450,839	-	3,889,027	-
Net pension liability	17,859,031	4,467,191	-	22,326,222	-
Total	$ 38,642,078	$ 4,968,854	$ 2,209,741	$ 41,401,191	$ 2,328,746

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on lease revenue bonds are made in the General Fund.
- Payments for capital leases are made in the Capital Facilities Fund.
- Payments for compensated absences are typically paid in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $274,632. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

On March 20, 2012, the 2012 General Obligation Refunding Bonds in the aggregate amount of $11,820,000 were issued to currently refund all of the District's outstanding 1998 General Obligation Refunding bonds. The refunding bonds mature through August 1, 2020 and have interest rates from 2.0% to 5.0%. Principal payments are due annually on August 1 and interest payments are due semi-annually on February 1 and August 1. The outstanding general obligation bonded debt of the District as of June 30, 2018, is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
2012	2021	2.0%-5.0%	$ 11,820,000	$ 5,545,000	$ -	$ 1,485,000	$ 4,060,000
				$ 5,545,000	$ -	$ 1,485,000	$ 4,060,000

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

Year Ended June 30,	Principal	Interest	Total
2019	$ 1,570,000	$ 160,256	$ 1,730,256
2020	1,665,000	113,156	1,778,156
2021	825,000	29,906	854,906
Total	$ 4,060,000	$ 303,318	$ 4,363,318

NOTE 8 – LONG-TERM DEBT (continued)

C. State School Apportionment Lease Revenue Bonds

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

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

The outstanding Lease Revenue bonded debt of the District as of June 30, 2018 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
2010	2030	2.0%-5.6%	$ 14,395,000	$ 11,330,000	$ -	$ 630,000	$ 10,700,000
				$ 11,330,000	$ -	$ 630,000	$ 10,700,000

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

Year Ended June 30,	Principal	Interest	Total
2019	$ 660,000	$ 566,694	$ 1,226,694
2020	695,000	531,125	1,226,125
2021	735,000	493,588	1,228,588
2022	770,000	454,563	1,224,563
2023	810,000	414,075	1,224,075
2024 - 2028	4,735,000	1,358,747	6,093,747
2029 - 2030	2,295,000	133,831	2,428,831
Total	$ 10,700,000	$ 3,952,623	$ 14,652,623

NOTE 8 – LONG-TERM DEBT (continued)

D. Capital Leases

The District has entered into agreements to lease various facilities and equipment that provide for the title to pass upon expiration of the lease period.

The following is a summary of the capital lease obligations:

Year Ended June 30,	Lease Payment
2019	$ 74,012
Total minimum lease payments	74,012
Less amount representing interest	(1,762)
Present value of minimum lease payments	$ 72,250

E. Other Postemployment Benefits

The District's restated beginning total OPEB liability was $3,438,188 and increased by $450,839 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was $3,889,027. See Note 10 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability was $17,859,031 and increased by $4,467,191 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $22,326,222. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 6,000	$ -	$ -	$ 6,000
Stores inventory	-	-	13,795	13,795
Prepaid expenditures	137,256	-	-	137,256
Total non-spendable	143,256	-	13,795	157,051
Restricted				
Educational programs	853,498	-	2,572	856,070
Capital projects	-	-	143,026	143,026
Debt service	-	3,766,717	1,779,913	5,546,630
All others	-	-	244,187	244,187
Total restricted	853,498	3,766,717	2,169,698	6,789,913
Assigned				
Vehicle purchase	67,000	-	-	67,000
KCHS portable project	236,698	-	-	236,698
GHS portable project	536,000	-	-	536,000
Technology infrastructure	524,109	-	-	524,109
Charter school	-	-	314,790	314,790
Other assignments	483,858	-	-	483,858
Total assigned	1,847,665	-	314,790	2,162,455
Unassigned				
Reserve for economic uncertainties	7,954,632	-	-	7,954,632
Total unassigned	7,954,632	-	-	7,954,632
Total	$ 10,799,051	$ 3,766,717	$ 2,498,283	$ 17,064,051

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The South Monterey County Joint Union High School District's defined benefit OPEB plan, South Monterey County Joint Union High School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the District.

B. Benefits Provided

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

	Certificated	Classified
Benefit types provided	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	10 years but not beyond age 65	10 years but not beyond age 65
Required Service	15 years	20 years
Minimum Age	55	55
Dependent Coverage	Yes	Yes
District Contribution %	100%	100%
District Cap	Active cap at retirement	Active cap at retirement

C. Contributions

The contribution requirements of Plan members and the South Monterey County Joint Union High School District are established and may be amended by the South Monterey County Joint Union High School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	10
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	172
Total number of participants**	182

*Information not provided

**As of the June 30, 2018 valuation date

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

E. Total OPEB Liability

The South Monterey County Joint Union High School District's total OPEB liability of $3,889,027 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	3.80%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:	
Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table
Retirement rates:	
Certificated	2009 CalSTRS Retirement Rates Table
Classified Hired before 2013	2009 CalPERS Retirement Rates for School Employees Table
Classified Hired after 2012	2009 CalPERS 2%@60 Retirement Rates for Misc. Employees

The actuarial assumptions used in the June 30, 2018 valuation were based on a review of plan experience during the period 2009 to 2014.

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

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

G. Changes in Total OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 505,685
Interest on total OPEB liability	136,362
Benefits payments	(191,208)
Net change in total OPEB liability	450,839
Total OPEB liability - beginning	3,438,188
Total OPEB liability - ending	$ 3,889,027
Covered payroll	$ 10,578,613
District's total OPEB liability as a percentage of covered payroll	37%

The South Monterey County Joint Union High School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

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

The following presents the total OPEB liability of the South Monterey County Joint Union High School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.80 percent) or one percentage point higher (4.80 percent) than the current discount rate:

	1% Decrease (2.8%)	Valuation Discount Rate (3.8%)	1% Increase (4.8%)
Total OPEB liability	$ 4,090,863	$ 3,889,027	$ 3,691,270

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

The following presents the total OPEB liability of the South Monterey County Joint Union High School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.0%)	Valuation Trend Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	$ 3,755,899	$ 3,889,027	$ 3,969,475

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

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

For the fiscal year ended June 30, 2018, the South Monterey County Joint Union High School District recognized OPEB expense of $451,019. At June 30, 2018, the South Monterey County Joint Union High School District reported no deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 11 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 17,172,356	$ 7,602,826	$ 1,482,487	$ 2,082,132
PERS Pension	5,153,866	1,974,730	116,295	848,725
Total	$ 22,326,222	$ 9,577,556	$ 1,598,782	$ 2,930,857

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $1,512,127 for the year ended June 30, 2018.

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 $761,829 to CalSTRS.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	17,172,356
State's proportionate share of the net pension liability associated with the District		10,159,104
Total	$	27,331,460

The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.019 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $2,082,132. In addition, the District recognized pension expense and revenue of $291,986 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 457,348
Differences between expected and actual experience	63,505	299,514
Changes in assumptions	3,181,380	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,845,814	725,625
District contributions subsequent to the measurement date	1,512,127	-
	$ 7,602,826	$ 1,482,487

The $1,512,127 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 1,075,889	$ 628,578
2020	1,075,889	(39,743)
2021	1,075,889	206,952
2022	1,075,889	655,039
2023	1,075,889	31,661
2024	711,254	-
	$ 6,090,699	$ 1,482,487

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 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. 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 February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20-year geometric average

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 25,214,471	$ 17,172,356	$ 10,645,635

Pension Plan Fiduciary Net Position

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

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $492,426 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $5,153,866 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.022 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $848,725. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 178,289	$ -
Differences between expected and actual experience	184,642	-
Changes in assumptions	752,803	60,680
Changes in proportion and differences between District contributions and proportionate share of contributions	366,570	55,615
District contributions subsequent to the measurement date	492,426	-
	$ 1,974,730	$ 116,295

The $492,426 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 516,081	$ 116,295
2020	619,299	-
2021	444,554	-
2022	(97,630)	-
	$ 1,482,304	$ 116,295

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
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 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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 (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 11 – PENSION PLANS (continued)

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

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	$ 7,582,988	$ 5,153,866	$ 3,138,705

NOTE 11 – PENSION PLANS (continued)

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

Pension Plan Fiduciary Net Position

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

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, 2018.

C. Construction Commitments

As of June 30, 2018, the District had no commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Monterey County Schools' Insurance Group, the Monterey and San Benito Counties Liability/Property JPA, and the Monterey County Schools' Workers' Compensation JPA. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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, 2018, total deferred outflows related to pensions was $9,577,556 and total deferred inflows related to pensions was $1,598,782.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 982,650
Restatement	(2,398,244)
Net Position - Beginning, as Restated	$ (1,415,594)

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 24,366,598	$ 24,288,287	$ 23,815,901	$ (472,386)
Federal sources	1,282,531	1,502,401	1,388,143	(114,258)
Other state sources	923,806	1,978,957	2,130,348	151,391
Other local sources	1,681,750	1,606,772	2,171,816	565,044
Total Revenues	28,254,685	29,376,417	29,506,208	129,791
EXPENDITURES				
Certificated salaries	11,518,358	11,111,920	11,080,819	31,101
Classified salaries	3,333,821	3,502,415	3,345,067	157,348
Employee benefits	5,284,638	6,171,417	5,928,416	243,001
Books and supplies	1,861,105	2,563,079	2,082,507	480,572
Services and other operating expenditures	3,685,382	6,570,218	4,516,776	2,053,442
Capital outlay	431,492	1,151,758	1,632,795	(481,037)
Other outgo				
Excluding transfers of indirect costs	2,065,806	2,203,792	2,144,555	59,237
Transfers of indirect costs	-	(45,789)	(37,901)	(7,888)
Total Expenditures	28,180,602	33,228,810	30,693,034	2,535,776
Excess (Deficiency) of Revenues				
Over Expenditures	74,083	(3,852,393)	(1,186,826)	2,665,567
Other Financing Sources (Uses)				
Transfers out	-	-	(5,230,000)	(5,230,000)
Net Financing Sources (Uses)	-	-	(5,230,000)	(5,230,000)
NET CHANGE IN FUND BALANCE	74,083	(3,852,393)	(6,416,826)	(2,564,433)
Fund Balance - Beginning	7,520,871	11,508,335	11,508,335	-
Fund Balance - Ending	$ 7,594,954	$ 7,655,942	$ 5,091,509	$ (2,564,433)

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund and Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Audit adjustments are not included in this schedule.

See accompanying note to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 505,685
Interest on total OPEB liability	136,362
Benefits payments	(191,208)
Net change in total OPEB liability	450,839
Total OPEB liability - beginning	3,438,188
Total OPEB liability - ending	$ 3,889,027
Covered payroll	$ 10,578,613
District's total OPEB liability as a percentage of covered payroll	37%

See accompanying note to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.019%	0.017%	0.014%	0.015%
District's proportionate share of the net pension liability	$ 17,172,356	$ 13,824,820	$ 9,168,106	$ 9,015,325
State's proportionate share of the net pension liability associated with the District	10,159,104	7,871,382	4,848,904	5,043,243
Total	$ 27,331,460	$ 21,696,202	$ 14,017,010	$ 14,058,568
District's covered payroll	$ 10,409,676	$ 8,544,687	$ 7,212,524	$ 6,871,418
District's proportionate share of the net pension liability as a percentage of its covered payroll	165.0%	161.8%	127.1%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

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

See accompanying note to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.022%	0.020%	0.020%	0.019%
District's proportionate share of the net pension liability	$ 5,153,866	$ 4,034,211	$ 2,952,438	$ 2,121,021
District's covered payroll	$ 2,768,193	$ 2,606,780	$ 2,457,583	$ 1,961,292
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.2%	154.8%	120.1%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

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

See accompanying note to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 1,512,127	$ 1,300,186	$ 894,453	$ 606,816
Contributions in relation to the contractually required contribution*	(1,512,127)	(1,300,186)	(894,453)	(606,816)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 10,365,715	$ 10,409,676	$ 8,544,687	$ 7,212,524
Contributions as a percentage of covered payroll	14.59%	12.49%	10.47%	8.41%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 492,426	$ 382,975	$ 291,028	$ 260,841
Contributions in relation to the contractually required contribution	(492,426)	(382,975)	(291,028)	(260,841)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 3,164,659	$ 2,768,193	$ 2,606,780	$ 2,457,583
Contributions as a percentage of covered payroll	15.56%	13.83%	11.16%	10.61%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

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

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Capital outlay	$ 1,151,758	$ 1,632,795	$ 481,037

SUPPLEMENTARY INFORMATION

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 741,244
Title II, Part A, Teacher Quality	84.367	14341	89,722
Title III			
Title III, English Learner Student Program	84.365	14346	32,661
Title III, Immigrant Education Program	84.365	15146	2,548
Subtotal Title III			35,209
Title VI, Part B, Rural & Low Income School Program	84.358B	14356	19,985
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	421,705
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	80,278
Total U. S. Department of Education			1,388,143
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	74,731
National School Lunch Program	10.555	13391	451,997
USDA Commodities	10.555	*	44,554
Subtotal Child Nutrition Cluster			571,282
Total U. S. Department of Agriculture			571,282
Total Federal Expenditures			$ 1,959,425

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

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Revised Second Period Report*	Annual Report	Revised Annual Report**
	<9A9880B3>	<2A912793>	<6994C40A>	
SCHOOL DISTRICT				
Ninth through Twelfth				
Regular ADA	2,149.23	2,145.13	2,131.18	2,131.18
Extended Year Special Education	-	0.76	0.76	0.76
Extended Year Special Education - Nonpublic Schools	-	-	0.76	-
Total Ninth through Twelfth	2,149.23	2,145.89	2,132.70	2,131.94
TOTAL SCHOOL DISTRICT	2,149.23	2,145.89	2,132.70	2,131.94

	Second Period Report	Annual Report
	<0A129AA6>	<CA9C3EB0>
NON-CLASSROOM BASED CHARTER SCHOOL***		
Ninth through Twelfth		
Regular ADA	49.95	51.48
Total Ninth through Twelfth	49.95	51.48
TOTAL NON-CLASSROOM BASED CHARTER SCHOOL	49.95	51.48

***The revised Second Period Report includes the audit adjustment plus other District revisions.**
****The District has not yet revised Annual Attendance.**
*****The Pinnacle Academy Charter – Independent Study had no classroom based ADA.**

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Grade 9	64,800	67,365	181	Complied
Grade 10	64,800	67,365	181	Complied
Grade 11	64,800	67,365	181	Complied
Grade 12	64,800	67,365	181	Complied

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	2019 (Budget)	2018***	2017***	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 31,121,952	$ 29,506,208	$ 30,860,877	$ 25,959,104
Expenditures And Other Financing Uses	34,021,983	35,923,034	27,715,551	23,578,528
Net change in Fund Balance	$ (2,900,031)	$ (6,416,826)	$ 3,145,326	$ 2,380,576
Ending Fund Balance	$ 2,191,478	$ 5,091,509	$ 11,302,679	$ 8,157,353
Available Reserves*	$ 7,525,196	$ 7,954,632	$ 8,600,162	$ 7,461,458
Available Reserves As A Percentage Of Outgo	22.12%	22.14%	31.03%	31.65%
Long-term Debt	$ 39,072,445	$ 41,401,191	$ 36,243,834	$ 32,326,144
Average Daily Attendance At P-2	2,210	2,196	2,165	2,036

The General Fund balance has decreased by $3,065,844 over the past two years. The fiscal year 2018-19 budget projects a decrease of $2,900,031. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by $9,075,047 over the past two years.

Average daily attendance has increased by 160 ADA over the past two years. An increase of 14 ADA is anticipated during the 2018-19 fiscal year.

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

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

***2018 and 2017 amounts do not include audit adjustments.

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Adult Education Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Debt Service Fund
June 30, 2018, annual financial and budget report fund balance	$ 5,091,509	$ 39,523	$ 5,816,266	$ 4,734,883
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Adjustment to cash with fiscal agent	40,495	-	-	(968,166)
Adjustment to record accounts payable	(188,742)	-	-	-
Fund balance transfer (GASB 54)	5,855,789	(39,523)	(5,816,266)	-
Net adjustments and reclassifications	5,707,542	(39,523)	(5,816,266)	(968,166)
June 30, 2018, audited financial statement fund balance	$ 10,799,051	$ -	$ -	$ 3,766,717

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Charter #	Charter School	Status	Included in Audit Report
1821	Pinnacle Academy Charter - Independent Study	Active	Yes

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018

	Charter Schools Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	$ 309,392	$ 287,679	$ 309,375	$ 1,779,913	$ 2,686,359
Accounts receivable	1,096	30,580	5,702	-	37,378
Due from other funds	24,278	-	-	-	24,278
Stores inventory	-	13,795	-	-	13,795
Total Assets	$ 334,766	$ 332,054	$ 315,077	$ 1,779,913	$ 2,761,810
LIABILITIES					
Accrued liabilities	$ 17,404	$ 41,165	$ 160,691	$ -	$ 219,260
Due to other funds	-	32,907	11,360	-	44,267
Total Liabilities	17,404	74,072	172,051	-	263,527
FUND BALANCES					
Non-spendable	-	13,795	-	-	13,795
Restricted	2,572	244,187	143,026	1,779,913	2,169,698
Assigned	314,790	-	-	-	314,790
Total Fund Balances	317,362	257,982	143,026	1,779,913	2,498,283
Total Liabilities and Fund Balance	$ 334,766	$ 332,054	$ 315,077	$ 1,779,913	$ 2,761,810

See accompanying note to supplementary information.

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Charter Schools Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES					
LCFF sources	$ 551,519	$ -	$ -	$ -	$ 551,519
Federal sources	-	571,282	-	-	571,282
Other state sources	24,436	40,553	-	7,710	72,699
Other local sources	-	229,308	224,905	1,736,934	2,191,147
Total Revenues	575,955	841,143	224,905	1,744,644	3,386,647
EXPENDITURES					
Current					
Instruction	247,185	-	-	-	247,185
Instruction-related services					
School site administration	99,486	-	-	-	99,486
Pupil services					
Food services	-	780,911	-	-	780,911
General administration					
All other general administration	-	32,907	11,360	-	44,267
Plant services	-	-	48,212	-	48,212
Transfers to other agencies	12,658	-	-	-	12,658
Debt service					
Principal	-	-	68,245	1,485,000	1,553,245
Interest and other	-	-	5,767	182,531	188,298
Total Expenditures	359,329	813,818	133,584	1,667,531	2,974,262
NET CHANGE IN FUND BALANCE	216,626	27,325	91,321	77,113	412,385
Fund Balance - Beginning	100,736	230,657	51,705	1,702,800	2,085,898
Fund Balance - Ending	$ 317,362	$ 257,982	$ 143,026	$ 1,779,913	$ 2,498,283

See accompanying note to supplementary information.

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

GOVERNING BOARD

Member	Office	Term Expires
Paulette Bumbalough	President	2018
David Gaboni	Clerk	2020
Paul Dake	Member	2018
Leslie Girard	Member	2018
Joe Santibanez	Member	2020

DISTRICT ADMINISTRATORS

Brian Walker
Superintendent

Sherrie Castellanos
Chief Business Official

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

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

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

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of South Monterey County Joint Union High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the South Monterey County Joint Union High School District's basic financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Monterey County Joint Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Monterey County Joint Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Monterey County Joint Union High School District's internal control.
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Monterey County Joint Union High School District's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Monterey County Joint Union High School District’s Response to Findings

South Monterey County Joint Union High School District’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. South Monterey County Joint Union High School District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Associates

San Diego, California
December 11, 2018

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited South Monterey County Joint Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Monterey County Joint Union High School District's major federal programs for the year ended June 30, 2018. South Monterey County Joint Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Monterey County Joint Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Monterey County Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Monterey County Joint Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Monterey County Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of South Monterey County Joint Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Monterey County Joint Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Monterey County Joint Union High School District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Christy White Associates

San Diego, California
December 11, 2018

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

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

Report on State Compliance

We have audited South Monterey County Joint Union High School District's compliance with the types of compliance requirements described in the *2017-2018 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 South Monterey County Joint Union High School District's state programs for the fiscal year ended June 30, 2018, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Monterey County Joint Union High School District's state programs based on our audit of the types of compliance requirements referred to above. 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about South Monterey County Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of South Monterey County Joint Union High School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, South Monterey County Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

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 #2018-002 and #2018-003. Our opinion on state compliance is not modified with respect to these matters.

South Monterey County Joint Union High 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. South Monterey County Joint Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine South Monterey County Joint Union High School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Yes
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Yes
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing of Independent Study because the reported ADA was below the threshold required for testing.

Christy White Associates

San Diego, California
December 11, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants
84.027	IDEA Basic Local Assistance Entitlement

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

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

FINDING #2018-001: BANK ACCOUNTS AND RECONCILIATIONS (30000)

Criteria: Internal controls over bank accounts and reconciliations are important to ensure that the District's financial statements are free of material misstatement.

Condition: During our testing of the District's bank accounts and reconciliations, it was noted that the District's cash with fiscal agent did not reconcile from the District's general ledger to the supporting documentation and required adjustment.

Cause: Error during the District's cash with fiscal agent reconciliation

Effect: Risk of material misstatement.

Recommendation: Sound internal controls and oversight should be put into place to review all activity related to the District's cash with fiscal agent account.

District Response: The District will work with our independent auditors to make sure the District's General Ledger properly reconciles to the bank accounts.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2018.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2018-002 – 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

Condition: One (1) out of sixty (60) students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as free or reduced price meal eligible (FRPM) did not have proper supporting documentation to justify their designation. Upon extrapolation of the error to the entire population of students listed as only FRPM, we calculated an additional 4 students that were incorrectly classified as to FRPM Designation for a total of five (5) disallowed students.

Cause: Incorrect classification of students.

Effect: The District is not in compliance with applicable State requirements.

Questioned Costs: $1,326. This was determined by taking the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil count as calculated below:

CalPADS Unduplicated Pupil Count	Audit Adjustment	Revised Unduplicated Pupil Count
5,141	(5)	5,136

Recommendation: We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have supporting documentation to support their CALPADS designation.

FINDING #2018-002 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

District Response: The District has implemented additional controls for ensuring the proper documentation has been received and maintained. The CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report will be downloaded and used as a checklist for each student identified to check that the proper documentation is filed.

FINDING #2018-003 – ATTENDANCE REPORTING (10000)

Criteria: The Second Period and the Annual Attendance Reports submitted to the California Department of Education (CDE) should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (ADA) in accordance with *California Education Code Section* 46000 et seq.

Condition: During the testing of average daily attendance, auditor noted the following:

Second Period Attendance Report

ADA reported on the Second Period Attendance Report for the Regular ADA 9-12 grade span was overstated by 10.98 ADA due to an error in the number of days reported at Portola Butler High School.

Annual Attendance Report

ADA reported on the Annual Attendance Report for the 9-12 grade span was overstated by 0.76 ADA. This error was caused by double counting extended year special education

Cause: Controls over attendance reporting are not in place to assure that the amounts reported on the Second Period and Annual Attendance Reports are accurate.

Questioned Costs: The questioned costs for these errors, based on grade span 9-12 current year adjusted base grant per ADA of $8,939 is $98,150 related to the overstatement of Second Period Attendance and $6,794 related to the overstatement of Annual Attendance. Extended year special education is funded based on Annual Period Attendance.

Effect: Incorrect reporting of ADA in the Second Period Report can result in noncompliance with state regulations.

Recommendation: We recommend the District review attendance summaries and verify amounts agree with the Second Period and Annual Attendance report. The District should also revise Annual Attendance.

District Response: The District corrected the Second Period Report and Annual Report as recommended. We have improved our spreadsheet and added additional steps to ensure our verification of information submitted to the CDE is accurate.

FINDING #2017-001: STUDENT BODY FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash disbursements and cash receipts reduces the opportunity for irregularities to go undetected. The Fiscal Crisis Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: The following discrepancies were noted through testing of ASB cash receipts and the current year ASB activity at Greenfield High School ASB:

- Nine out of ten cash disbursements selected for testing did not have signatures on the purchase order form.
- Three out of ten cash receipts were not deposited in a timely manner.

Cause: Insufficient controls over student body activities.

Perspective/Context: Cash disbursements and receipts at Greenfield High School ASB.

Effect: The potential for irregularities in accounting to go undetected.

Recommendations: We recommend that the District and those charged with overseeing the ASB work to address these internal control weaknesses.

District Response: The District staff, at least once per year, go out to the sites to go over procedures and provide instruction. ASB Handbooks were updated and the website link for the FCMAT ASB Handbook was provided to ASB Coordinators.

Current Status: Implemented.

FINDING #2017-002: BANK ACCOUNTS AND RECONCILIATIONS (30000)

Criteria: Internal controls over bank accounts and reconciliations are important to ensure that the District's financial statements are free of material misstatement.

Condition: During our testing of the District's bank accounts and reconciliations, it was noted that the District's cash with fiscal agent did not reconcile from the District's general ledger to the supporting documentation. The amount of the discrepancy was immaterial to the financial statements.

Cause: Lack of oversight over District cash with fiscal agent reconciliation.

Perspective/Context: Testing of District's bank accounts and reconciliations for the year under audit.

Effect: Risk of material misstatement.

Recommendation: Sound internal controls and oversight should be put into place to review all activity related to the District's cash with fiscal agent account.

District Response: The District, prior to the close of the books, will insure all accounts are reconciled and posted properly to the general ledger.

Current Status: Not implemented, see Finding #2018-001.

FINDING #2017-003: INSTRUCTIONAL MATERIALS (70000)

State Program: Instructional Materials Funding Realignment Program.

Criteria: Per Education Code Section 60119, the public hearing for instructional materials must occur on or before the end of the eighth week from the first day pupils attended school for that year.

Condition: The District's public hearing for instructional materials occurred on October 19, 2016, which is after the eighth week of the school year.

Cause: Oversight.

Questioned Costs: Funding for this program has ended, thus there are no questioned costs related to instructional materials.

Effect: The District is not in compliance with California Education Code Section 60119.

Recommendation: We recommend that the District comply with Education Code Section 60119 in the future and ensure that the public hearing for instructional materials occurs on or before the end of the eighth week from the first day pupils attended school for that year.

District Response: The District will ensure we remain in compliance with Education Code Section 60119 each year and hold the public hearing within eight weeks of the start of school.

Current Status: Implemented.

FINDING #2017-004 – 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

Condition: Six (6) out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to justify their designation. Upon extrapolation of the error to the population of students designated as FRPM, we calculated an additional 57 students without proper supporting documentation for a total of 63 ineligible students.

Cause: Incorrect classification of students.

Effect: The District is not in compliance with State requirements.

Context: 63 of 5,049 (1,751 in 2014-15, 1,666 in 2015-16 and 1,632 in 2016-17) students reported in the District's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

Questioned Cost: $73,080, as calculated on the next page.

Recommendation: We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have supporting documentation to support their CALPADS designation.

District Response: The District will ensure our student information system and our food service accounting system are maintained with accurate information and regular audits are performed throughout the year. Further, we will verify all required timelines for student whose free and reduced eligibility has rolled from the prior year, are expired as per state regulations.

The District also hired an Operations Manager to oversee the Food Service Program to further ensure compliance and accuracy.

FINDING #2017-004 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				6,461
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				4,993
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(63)
5	Revised Adjusted Enrollment				6,461
6	Revised Adjusted Unduplicated Pupil Count				4,930
7	UPP calculated as of P-2				0.7728
8	Revised UPP for audit finding				0.7630
9	**Charter Schools Only:** Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap				**0.7630**
LCFF Target Supplemental Grant Funding Audit Adjustment		**TK/K–3**	**4–6**	**7–8**	**9–12**
9	Supplemental and Concentration Grant ADA				2,158.53
10	Adjusted Base Grant per ADA				$8,801
11	Target Supplemental Grant Funding calculated as of P-2				$2,936,211
12	Revised Target Supplemental Grant Funding for audit finding				$2,898,976
13	Target Supplemental Grant Funding audit adjustment				**($37,235)**
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				$2,116,291
15	Revised Target Concentration Grant Funding for audit finding				$2,023,204
16	Target Concentration Grant Funding audit adjustment				**($93,087)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				**($130,322)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				**($73,080)**

Current Status: Not fully implemented, see Finding #2018-002.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the South Monterey County Joint Union High School District (the "District") in connection with the issuance of (i) [$__________] of the District's Election of 2018 General Obligation Bonds, Series A and (ii) [$__________] of the District's Election of 2018 General Obligation Bonds, Series A-1 (together, the "Bonds"). The Bonds are being issued pursuant to resolutions of the Board of Trustees of the District adopted on February 27, 2019 (the "Resolutions"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

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

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

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

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

"Official Statement" shall mean the Official Statement, dated as of ________, 2019, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean Citigroup Global Markets Inc., or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

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

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

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

(c) outstanding District indebtedness;

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

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

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

7. unscheduled draws on credit enhancement reflecting financial difficulties.

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

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties; and

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

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

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

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _______________, 2019

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

By: ____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: THE SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: Election of 2018 General Obligation Bonds, Series A
Election of 2018 General Obligation Bonds, Series A-1

Date of Issuance: _________________, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

SOUTH MONTEREY COUNTY JOINT UNION HIGH SCHOOL
DISTRICT

By ____[form only; no signature required]_____

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR KING CITY AND THE COUNTIES OF MONTEREY AND SAN BENITO

The following information regarding King City (the "City") and the Counties of Monterey and San Benito (collectively, the "Counties") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or the Counties. This material has been prepared by or excerpted from the sources noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

King City. Located in the Salinas Valley, approximately 50 miles southeast of the city of Salinas, the City was founded in 1886 and incorporated in 1911. It is a Charter City with a Council-Manager form of government. Five members of the City Council are elected by districts to 4-year staggered terms. Its economic base is largely dependent on agriculture, food processing and packing. It is a gateway to Pinnacles National Park.

Monterey County. Monterey County comprises the southern coast of Monterey Bay and is almost at the midpoint of the California coastline, approximately 125 miles south of San Francisco and 300 miles north of Los Angeles. It was incorporated in 1850 as one of the State's original 27 counties. Monterey County covers an area of approximately 3,771 square miles. The Salinas Valley, located in the eastern portion of Monterey County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction with Pebble Beach, Cypress Point, the Monterey Bay Aquarium and the City of Carmel as the main attractions. South of the peninsula, Big Sur is known worldwide for its rugged scenery.

San Benito County. With an area of 1,396 square miles, San Benito County is bordered by Monterey County on the north, south and west, and Merced and Fresno Counties on the east. Approximately 85 miles south of San Francisco, it was incorporated in 1874 and is home to several American Viticultural Areas. Along with agriculture, agritourism is having a growing economic impact on San Benito County, in addition to the many recreational opportunities provided by its several parks, such as Pinnacles National Park. A five-member Board of Supervisors elected by each of their districts to staggered four-year terms governs San Benito County under a Board of Supervisors-County Administrator form of government.

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Population

The following table shows the historical population figures for the City, the Counties and the State for the last 10 years.

POPULATION ESTIMATES
2009 through 2018
King City, Monterey County, San Benito County and the State of California

Year[1]	King City	Monterey County	San Benito County	State of California
2009	12,631	412,233	55,068	36,966,713
2010[2]	12,874	415,057	55,269	37,253,956
2011	13,130	417,892	55,661	37,529,913
2012	13,493	423,072	55,775	37,874,977
2013	13,697	427,147	55,998	38,234,391
2014	13,815	429,308	56,219	38,568,628
2015	14,370	432,740	56,452	38,912,464
2016	14,720	438,175	56,624	39,179,627
2017	14,802	442,149	56,879	39,500,973
2018	14,880	443,281	57,088	39,809,693

(1) As of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2009, 2011-18 (2000 and 2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

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Income

The following table summarizes per capita personal income for the Counties, the State, and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME
2008 through 2017
Monterey County, San Benito County, the State of California, and the United States

Year	Monterey County	San Benito County	State of California	United States
2008	$41,028	$36,999	$43,895	$40,904
2009	40,577	36,251	42,050	39,284
2010	41,435	35,895	43,609	40,545
2011	42,353	37,476	46,145	42,727
2012	43,820	38,568	48,751	44,582
2013	44,703	40,317	49,173	44,826
2014	47,398	41,823	52,237	47,025
2015	51,553	46,111	55,679	48,940
2016	52,316	48,383	57,497	49,831
2017	54,395	51,343	59,796	51,640

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2017 reflect county population estimates available as of March 2018. Last updated: November 15, 2018 with new statistics for 2017; revised statistics for 2001-2016. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables list the principal employers in the Counties.

PRINCIPAL EMPLOYERS
2018
Monterey County

Employer	Industry	Number of Employees
Azcona Harvesting	Agriculture: Agricultural Services	1,000 – 4,999
Bud of California	Agriculture: Agricultural Production Crops	1,000 – 4,999
Carol Hatton Breast Care Center	Services: Health	1,000 – 4,999
Casa Palmero at Pebble Beach	Services: Hotels	1,000 – 4,999
Community Hospital	Services: Health	1,000 – 4,999
Dutra Farms	Agriculture: Agricultural Production Crops	1,000 – 4,999
Naval Post Graduate School	Services: Education	1,000 – 4,999
Pebble Beach Co.	Services: Hotels	1,000 – 4,999
Salinas Valley Memorial Healthcare	Services: Health	1,000 – 4,999
Taylor Farms	Agriculture: Agricultural Production Crops	1,000 – 4,999

Note: Rules instituted by the Federal Bureau of Labor Statistics after September 11, prohibit state departments of labor or economic security from publicly identifying the names of individual employers. County of Monterey has removed the Major Employers' data from the statistical section of the County of Monterey Comprehensive Annual Financial Report.
Source: America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

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PRINCIPAL EMPLOYERS
2018
Santa Benito County

Employer	Industry	Number of Employees
Earthbound Farm	Agriculture: Agricultural Production Crops	1,000 – 4,999
R & R Labor	Agriculture: Agricultural Services	500 – 999
William-Inez Mabie-Admin	Services: Health	500 – 999
San Benito High School	Services: Education	250 – 499
True Leaf Farms	Agriculture: Agricultural Production Crops	250 – 499
Hazel Hawkins Memorial Hospital	Services: Health	250 – 499
MC Electronics Inc.	Manufacturing: Electrical Equipment and Components	250 – 499
Milgard Manufacturing Inc.	Manufacturing: Furniture and Fixtures	250 – 499
Ridgemark Golf & Country Club	Services: Amusement and Recreation	100 - 249
San Benito Foods	Agriculture: Agricultural Production Crops	100 - 249

Source: America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the City, the Counties, the State, and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2013 through 2017[(1)]
King City, Monterey County, San Benito County, the State of California, and the United States

Year and Area	Labor Force	Employment[(2)]	Unemployment[(3)]	Unemployment Rate (%)
2013				
King City	6,500	5,200	1,300	19.9
Monterey County	216,400	194,100	22,300	10.3
San Benito County	28,900	25,700	3,200	11.1
State of California	18,625,000	16,958,400	1,666,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
King City	6,500	5,300	1,100	17.7
Monterey County	218,100	198,400	19,700	9.0
San Benito County	29,200	26,500	2,700	9.3
State of California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
King City	6,400	5,400	1,000	16.0
Monterey County	218,800	201,100	17,600	8.1
San Benito County	29,300	27,100	2,200	7.7
State of California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
King City	6,400	5,500	1,000	15.1
Monterey County	220,400	203,800	16,700	7.6
San Benito County	29,800	27,800	2,000	6.8
State of California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
King City	6,300	5,700	600	8.9
Monterey County	220,200	204,400	15,800	7.2
San Benito County	30,100	28,300	1,800	5.9
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017 Benchmark.

Industry

Monterey County is included in the Salinas Metropolitan Statistical Area (the "MSA"). The distribution of employment is presented in the following table for the past five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
Monterey County (Salinas MSA)

Category	2013	2014	2015	2016	2017
Total Farm	50,100	52,200	53,000	53,300	52,500
Total Nonfarm	126,600	129,800	133,100	136,200	138,600
Total Private	96,400	99,300	102,000	104,300	105,600
Goods Producing	10,000	10,400	11,100	11,400	11,800
Mining and Logging	200	200	300	200	200
Construction	4,500	4,900	5,200	5,800	6,000
Manufacturing	5,300	5,400	,5,500	5,400	5,600
Nondurable Goods	3,800	3,800	3,900	3,800	4,000
Service Providing	116,600	119,400	122,100	124,800	126,800
Private Service Providing	86,400	88,800	91,000	92,900	93,800
Trade, Transportation and Utilities	25,400	25,700	26,000	26,100	26,100
Wholesale Trade	5,200	5,400	5,300	5,300	5,700
Retail Trade	16,200	16,200	16,400	16,500	16,400
Transportation, Warehousing and Utilities	4,000	4,200	4,300	4,200	4,100
Information	1,500	1,400	1,300	1,100	1,100
Financial Activities	4,000	4,000	4,100	4,200	4,300
Professional and Business Services	11,300	12,100	12,800	13,400	13,200
Educational and Health Services	17,500	18,000	18,400	18,800	19,600
Leisure and Hospitality	21,900	22,800	23,400	24,300	24,500
Other Services	4,800	4,900	5,000	5,100	5,200
Government	30,200	30,600	31,100	31,900	33,000
Total, All Industries	176,700	182,000	186,100	189,500	191,100

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2017 Benchmark.

San Benito County is included in the San Jose-Santa Clara-Sunnyvale Metropolitan Statistical Area. The distribution of employment is presented in the following table for the past five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
San Benito County (San Jose-Santa Clara-Sunnyvale Metropolitan Statistical Area)

Category	2013	2014	2015	2016	2017
Total Farm	5,000	5,300	5,500	6,100	5,800
Total Nonfarm	961,200	1,001,800	1,039,400	1,071,400	1,098,200
Total Private	869,400	908,400	946,500	977,300	1,002,500
Goods Producing	196,200	201,700	209,000	215,100	216,700
Mining and Logging	300	300	200	300	200
Construction	37,500	39,700	43,900	48,300	49,800
Manufacturing	158,400	161,700	164,800	166,600	166,700
Durable Goods	145,400	148,100	151,300	153,000	153,300
Nondurable Goods	13,100	13,600	13,500	13,600	13,400
Service Providing	765,000	800,100	830,400	856,300	881,500
Private Service Providing	673,200	706,700	737,500	762,200	785,800
Trade, Transportation and Utilities	134,100	136,800	138,400	138,100	137,200
Wholesale Trade	36,400	37,200	37,200	36,800	35,500
Retail Trade	83,900	85,300	86,600	85,800	86,300
Transportation, Warehousing and Utilities	13,800	14,400	14,600	15,500	15,400
Information	58,700	65,700	70,500	75,700	85,100
Financial Activities	33,700	34,100	34,600	35,600	36,100
Professional and Business Services	190,000	201,800	215,100	223,300	227,600
Educational and Health Services	143,800	150,000	156,300	162,500	168,700
Leisure and Hospitality	87,500	91,900	95,800	99,400	102,300
Other Services	25,400	26,400	26,900	27,600	28,700
Government	91,800	93,400	92,900	94,100	95,700
Total, All Industries	966,200	1,007,100	1,044,900	1,077,500	1,104,000

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2017 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the Counties from 2012 through 2016 are shown in the following tables.

ANNUAL TAXABLE SALES
2012 through 2016
King City
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	227	$71,587	318	$117,355
2013	232	75,252	312	122,858
2014	251	75,119	329	122,675
2015	--	68,311	--	103,088
2016	--	70,878	--	106,643

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2012 through 2016
Monterey County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	6,911	$3,927,095	10,184	$5,637,445
2013	7,133	4,137,019	10,389	5,910,531
2014	7,327	4,339,409	10,535	6,200,747
2015	--	4,500,692	--	6,406,116
2016	--	4,663,925	--	6,665,936

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2012 through 2016
San Benito County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	786	$308,777	1,199	$530,017
2013	844	329,051	1,260	560,238
2014	888	338,945	1,313	560,376
2015	--	357,217	--	607,830
2016	--	387,568	--	664,451

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the City and the Counties are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
King City
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$11,529	$1,403	$3,958	$6,371	$6,445
Non-Residential	2,120	410	475	1,053	2,079
Total	$13,649	$1,813	$4,433	$7,424	$8,524
Units					
Single Family	14	9	35	45	48
Multiple Family	61	0	0	0	0
Total	75	9	35	45	48

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
Monterey County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$168,823	$166,058	$219,262	$242,389	$271,978
Non-Residential	113,948	154,341	223,142	197,865	171,630
Total	$282,771	$320,399	$442,404	$440,254	$443,608
Units					
Single Family	190	236	374	486	523
Multiple Family	252	85	258	118	178
Total	442	321	632	604	701

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
San Benito County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$35,594	$23,957	$74,162	$134,741	$151,676
Non-Residential	9,711	22,053	45,812	36,326	18,204
Total	$45,305	$46,010	$119,974	$171,067	$169,880
Units					
Single Family	138	78	223	443	586
Multiple Family	0	0	49	99	2
Total	138	78	272	542	588

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

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APPENDIX E

MONTEREY COUNTY INVESTMENT POOL

The following information concerning the Monterey County Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector-Public Administrator of the County (the "Treasurer"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. None of the District, the Municipal Advisor or the Underwriter have made an independent investigation of the investments in the Investment Pool or made an assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at http://www.co.monterey.ca.us/taxcollector/Treasury_Investment.html. However, the information presented on such website is not incorporated into this Official Statement by any reference.

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168 West Alisal street,
1st Floor
Salinas, CA 93901
831.755.5066

Monterey County

Board Report

Legistar File Number: 19-1250

January 29, 2019

Introduced: 1/11/2019
Version: 1

Current Status: Agenda Ready
Matter Type: General Agenda Item

a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2018.

RECOMMENDATION:
It is recommended that the Board of Supervisors:
a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2018.

SUMMARY:
Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached exhibits provide a narrative portfolio review of economic and market conditions that support the investment activity during the October - December period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

DISCUSSION:
During the October - December quarter, the selloff in equity markets pushed investors to seek the relative safety of U.S. Treasury obligations, pushing yields lower. Interest rates with maturities greater than 1-year fell sharply, while short term rates moved up slightly. This resulted in an inverted yield curve at the quarter end, with the 1-year Treasury yielding more than a 5-year Treasury. As was widely expected, the Federal Reserve raised the federal funds target rate by 25 basis points (0.25%) for the fourth time in 2018 at its December meeting. The U.S. economy is experiencing a strong labor market, adding 762K total jobs in the second quarter, a deceleration of inflation to just below the Fed's 2% target and positive contributions from business investment, consumer spending, and federal, state, and local government spending. Potential headwinds exist in the form of geopolitical risks, tariffs, slower housing market momentum, contracting oil supply and rising interest rates.
On December 31, 2018, the Monterey County investment portfolio contained an amortized book value of $1,521,771,248 spread among 139 separate securities and funds. The par value of those funds was $1,528,686,820 with a market value of $1,518,307,204 or 99.3% of amortized book value. The portfolio's net earned income yield for the period was 2.08%. The portfolio produced an estimated quarterly income of $7,409,471 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 272 days. The County Treasury continues to use short term debt to provide portfolio liquidity and enhanced investment opportunities while also taking advantage of moderately higher rates in the one to three-year investment range.
The investment portfolio is in compliance with all applicable provisions of state law and the adopted Investment Policy, and contains sufficient liquidity to meet all projected outflows over the next six

months. Market value pricings were obtained through resources such as Bloomberg LLP, Union Bank of California and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:
A copy of this report will be distributed to all agencies participating in the investment pool and the Treasury Oversight Committee. In addition, the report will be published on the County Treasurer's web site. A monthly report of investment transactions is provided to the Board of Supervisors as required by Government Code 53607.

FINANCING:
The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. Investment earnings in the General Fund are expected to meet or exceed budgeted revenue for fiscal year 2018-2019.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:
This recommendation supports the Administration initiative by providing transparency and accountability in the management of County funds in the Treasurer's investment portfolio.

__Economic Development
X Administration
__Health & Human Services
__Infrastructure
__Public Safety

Prepared by: Susanne King, Treasury Manager, x5490

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5015

All attachments are on file with the Clerk of the Board:
Exhibit A - Investment Portfolio Review 12.31.18
Exhibit B - Portfolio Management Report 12.31.18
Exhibit C - Aging Report 01.01.19

cc:
Auditor-Controller - Internal Audit Section
All depositors
County Administrative Office
County Counsel
Treasury Oversight Committee

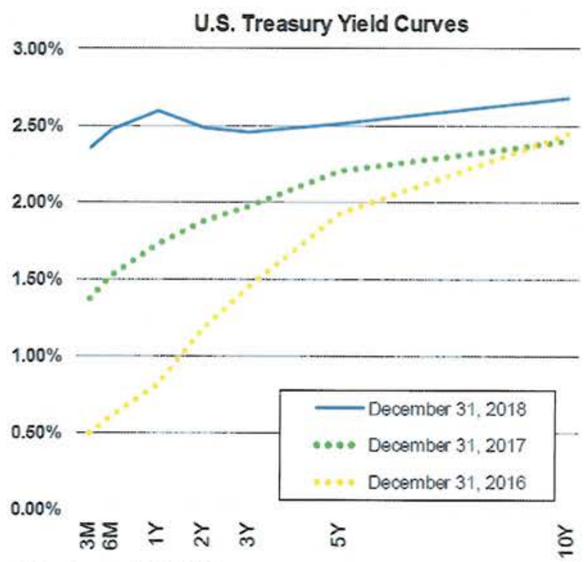
Exhibit A
Investment Portfolio Review
Quarter Ending December 31, 2018

OVERVIEW October 1, 2018 – December 31, 2018

During the October – December quarter, the selloff in equity markets pushed investors to seek the relative safety of U.S. Treasury obligations, pushing yields lower. Interest rates with maturities greater than 1-year fell sharply, while short term rates moved up slightly. This resulted in an inverted yield curve at the quarter end, with the 1-year Treasury yielding more than a 5-year Treasury. As was widely expected, the Federal Reserve raised the federal funds target rate by 25 basis points (0.25%) for the fourth time in 2018 at its December meeting. The U.S. economy is experiencing a strong labor market, adding 762K total jobs in the second quarter, a deceleration of inflation to just below the Fed's 2% target and positive contributions from business investment, consumer spending, and federal, state, and local government spending. Potential headwinds exist in the form of geopolitical risks, tariffs, slower housing market momentum, contracting oil supply and rising interest rates.

U.S. TREASURY YIELD CURVE

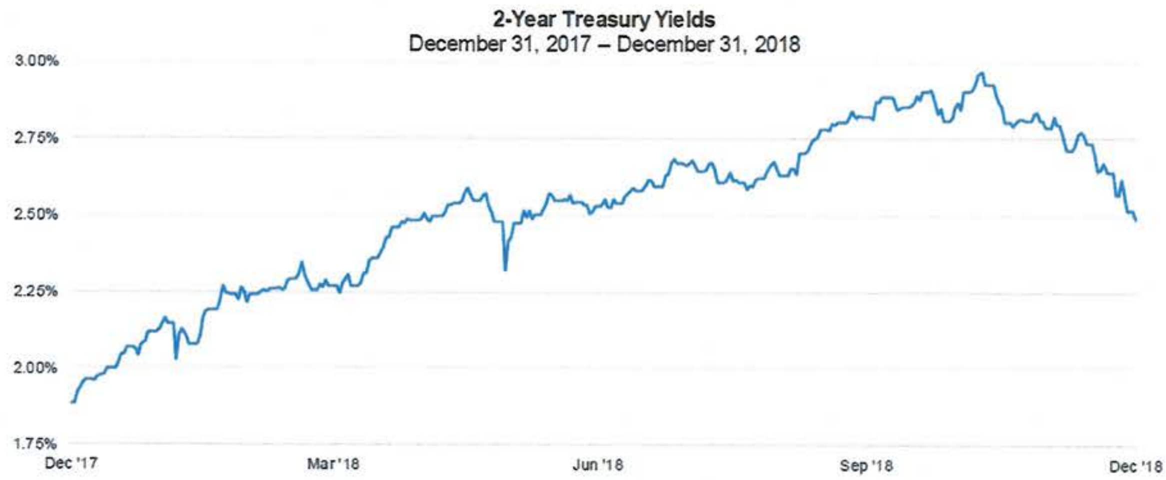
- Interest rates with maturities greater than 1-year fell sharply during the quarter, while short-term rates moved up slightly. This resulted in an inverted yield curve at quarter end, with the 1-year Treasury yielding more than a 5-year Treasury.



Source: Bloomberg, as of 12/31/2018.

	4Q2018 12/31/18	3Q2018 9/30/18	QoQ Change
3 month	2.35%	2.20%	+0.15%
6 month	2.48%	2.36%	+0.12%
1 year	2.60%	2.56%	+0.04%
2 year	2.49%	2.82%	-0.33%
3 year	2.46%	2.88%	-0.42%
5 year	2.51%	2.95%	-0.44%
10 year	2.68%	3.06%	-0.38%

- The selloff in equity markets in the second quarter sparked a flight to quality as investors sought the relative safety of U.S. Treasury obligations, pushing yields lower.
- As was widely expected, the Federal Reserve raised the federal funds target rate by 25 basis points (.0.25%) for the fourth time in 2018 at its December meeting, but the consequential bump in yields was overcome by continued equity market uncertainty.
- The 2-year Treasury decreased by 33 basis points (0.33%) to end the quarter at 2.49%.



Source: Bloomberg, as of 12/31/2018.

The County Treasury continues to perform comparatively to portfolio benchmarks this quarter. Our investments continue to focus on capturing relative value while remaining cautious. The following indicators reflect key aspects of the investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, investment purchases for the portfolio included U.S. Treasuries, a Federal Agency, and a Corporate Note. The Treasurer continues to keep a higher level of liquid assets reflecting the need to maintain levels of available cash to ensure the ability to meet all cash flow needs.

2. Diversification - The Monterey County Treasurer's portfolio consists of 139 separate fixed income investments, all of which are authorized by the State of California Government Code 53601.

The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition								
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper	Supranationals	Municipal Bonds	Asset Backed Securities
15.2%	4.4%	25.3%	29.8%	13.4%	8.2%	3.1%	0.0%	0.6%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 81.1% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, negotiable CDs and other liquid funds. All assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. All corporate debt (15.2%) is rated in the higher levels of investment grade and all Federal Agency securities have AA ratings, or are guaranteed by the U.S. Treasury. The Supranationals (3.1%) and the Asset Backed Security (0.6%) are rated AAA. The credit quality of the Treasurer's portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition													
AAA	AAAm	AA+	AA	AA-	A+	A	A-	A-1+ (Short Term)	A-1 (Short Term)	Aaf/S1+ (CalTRUST)	BBB+ (split rated)	Not Rated (LAIF/ MMF)	Not Rated
4%	10%	45%	1%	3%	3%	4%	2%	3%	8%	11%	1%	4%	1%

4. Liquidity Risk – Liquidity risk, as measured by the ability of the County Treasury to meet withdrawal demands on invested assets, was managed during the October - December quarter. The portfolio's average weighted maturity was 272 days, and the Treasurer maintained $385M in overnight investments to provide immediate liquidity, be able to react quickly to opportunities in the current market, and take advantage of a higher yield on the money market rates. In addition, the Treasurer maintained $711M in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	September 30, 2018	December 31, 2018
Total Assets	$1,331,217,570.21	$1,528,686,820.37
Market Value	$1,323,210,566.84	$1,518,307,204.45
Days to Maturity	222	272
Yield	1.84%	2.08%
Estimated Earnings	$6,517,874.72	$7,409,471.25

FUTURE STRATEGY

The Treasurer has 72% of the portfolio invested in maturities under one year and 27 % invested in the 1-3-year maturity range. In the current interest rate environment of rising rates, holding shorter-term securities allows the County to capture higher yields as maturities are reinvested. We will continue to manage the portfolio under the established tenets of safety and liquidity while seeking to maximize the rate of return.

Exhibit B

Monterey County Daily Reports
Portfolio Management
Portfolio Details - Investments
December 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Money Market Accts - GC 53601(k)(2)												
SYS11672	11672	BlackRock			0.00	0.00	0.00	0.337			0.337	
SYS12159	12159	DREYFUS AMT FREE TAX EXEMPT MM			7,096,460.67	7,096,460.67	7,096,460.67	1.513			1.513	
SYS11830	11830	Federated		07/01/2018	0.00	0.00	0.00	0.101	Aaa	AAA	0.101	
SYS11578	11578	Fidelity Investments			2,200,000.00	2,200,000.00	2,200,000.00	2.171	Aaa	AAA	2.171	
		Subtotal and Average	**22,767,799.97**		**9,296,460.67**	**9,296,460.67**	**9,296,460.67**				**1.669**	
State Pool - GC 16429.1												
SYS11361	11361	LAIF			62,800,000.00	62,800,000.00	62,800,000.00	2.157			2.157	
		Subtotal and Average	**58,821,739.13**		**62,800,000.00**	**62,800,000.00**	**62,800,000.00**				**2.157**	
CALTRUST/CAMP - GC 53601(p)												
SYS11801	11801	CalTrust			133,800,000.00	133,800,000.00	133,800,000.00	2.370	Aaa	AAA	2.370	
SYS11802	11802	CalTrust			1,000,000.00	1,000,000.00	1,000,000.00	2.183	Aaa	AAA	2.183	
SYS12211	12211	CalTrust		07/03/2018	28,900,000.00	28,900,000.00	28,900,000.00	2.429			2.429	
SYS12219	12219	CalTrust		09/18/2018	321,617.35	321,617.35	321,617.35	2.400			2.400	
SYS10379	10379	Calif. Asset Mgmt			143,600,000.00	143,600,000.00	143,600,000.00	2.454		AAA	2.454	
SYS11961	11961	Calif. Asset Mgmt		07/01/2018	0.00	0.00	0.00	0.658		AAA	0.658	
		Subtotal and Average	**264,661,218.97**		**307,621,617.35**	**307,621,617.35**	**307,621,617.35**				**2.414**	
SWEEP ACCOUNT-MORG STNLY												
SYS12041	12041	Morgan Stanley			1.00	1.00	1.00	0.731			0.731	
		Subtotal and Average	**1.00**		**1.00**	**1.00**	**1.00**				**0.731**	
SWEEP ACCOUNT - CUSTOM												
SYS12138	12138	Morgan Stanley			142,741.35	142,741.35	142,741.35	2.189			2.189	
		Subtotal and Average	**75,464.86**		**142,741.35**	**142,741.35**	**142,741.35**				**2.189**	
Medium Term Notes - GC 53601(k)												
0258M0DP1	12088	American Express Credit		06/27/2016	10,000,000.00	10,020,900.00	10,035,605.67	2.250	A2	A-	1.660	08/15/2019
025816BM0	12156	American Express Credit		08/21/2017	250,000.00	249,838.75	249,838.75	2.500	A3	BBB+	2.519	08/01/2022
037833BQ2	12066	Apple Inc Corp Notes		02/23/2016	6,000,000.00	5,985,900.00	5,999,951.79	1.700	Aa1	AA+	1.706	02/22/2019
037833AQ3	12129	Apple Inc Corp Notes		04/07/2017	10,000,000.00	10,023,000.00	10,019,475.97	2.100	Aa1	AA+	1.528	05/06/2019
037833CQ1	12151	Apple Inc Corp Notes		08/17/2017	250,000.00	250,974.60	250,974.60	2.300	Aa1	AA+	2.177	05/11/2022
037833DH0	12187	Apple Inc Corp Notes		03/14/2018	5,000,000.00	4,972,836.73	4,972,836.73	1.800	Aa1	AA+	2.443	11/13/2019

Exhibit B

Monterey County Daily Reports
Portfolio Management
Portfolio Details - Investments
December 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
05531FAV5	12153	BB&T Corporation		08/21/2017	250,000.00	249,709.92	249,709.92	2.050	A2	A-	2.101	05/10/2021
06406HCZ0	12126	Bank of New York Mellon Corp		03/17/2017	10,000,000.00	9,985,700.00	10,004,415.23	2.150	A1	A	2.110	02/24/2020
097014AL8	12186	BOEING Capital Securiities		03/14/2018	7,500,000.00	7,633,999.66	7,633,999.66	4.700	A2	A	2.468	10/27/2019
06051GGE3	12202	Bank of America Corp		06/07/2018	250,000.00	246,714.40	246,714.40	3.124	A3	A-	3.477	01/20/2023
06051GFW4	12234	Bank of America Corp		12/14/2018	5,000,000.00	4,902,452.78	4,902,452.78	2.625	Baa1	BBB+	3.515	04/19/2021
084664BT7	12182	Berkshire Hathaway Finance		03/12/2018	250,000.00	250,411.94	250,411.94	3.000	Aa2	AA	2.947	05/15/2022
14913Q2E8	12183	CATERPILLAR FINL SERVC		03/12/2018	250,000.00	244,768.74	244,768.74	2.550	A3	A	3.129	11/29/2022
14912L6Y2	12189	CATERPILLAR FINL SERVC		04/02/2018	5,000,000.00	4,968,247.49	4,968,247.49	2.100	A3	A	2.738	01/10/2020
166764AY6	12208	Chevron Corp. Global		06/25/2018	2,155,000.00	2,135,294.60	2,135,294.60	2.419	Aa2	AA-	2.926	11/17/2020
17275RBG6	12104	Cisco Systems Inc Corp		09/20/2016	9,000,000.00	8,906,130.00	8,997,604.25	1.400	A1		1.438	09/20/2019
17275RBD3	12150	Cisco Systems Inc Corp		08/17/2017	250,000.00	251,317.42	251,317.42	2.200	A1	AA-	1.946	02/28/2021
172967KS9	12085	Citibank		06/09/2016	3,840,000.00	3,828,864.00	3,839,711.04	2.050	Baa1	A-	2.068	06/07/2019
191216BV1	12130	Coca- Cola Co		04/07/2017	4,431,000.00	4,393,868.22	4,427,976.49	1.375	Aa3	AA-	1.543	05/30/2019
25468PDH6	12064	The Walt Disney Copr		01/08/2016	2,710,000.00	2,701,951.30	2,709,976.46	1.650	A2	A	1.696	01/08/2019
369550AR9	12237	General Dynamics Corp		12/14/2018	10,000,000.00	10,146,868.31	10,146,868.31	3.875	A2	A+	3.266	07/15/2021
38141GVT8	12074	Goldman Sachs		04/25/2016	1,415,000.00	1,410,740.85	1,414,584.78	2.000	A3	BBB+	2.096	04/25/2019
38141GVT8	12075	Goldman Sachs		04/26/2016	7,210,000.00	7,188,297.90	7,209,512.47	2.000	A3	BBB+	2.022	04/25/2019
38148FAB5	12188	Goldman Sachs		04/02/2018	5,000,000.00	4,985,295.90	4,985,295.90	2.550	A3	BBB+	2.923	10/23/2019
38145GAG5	12205	Goldman Sachs		06/07/2018	250,000.00	242,583.26	242,583.26	2.350	A3	BBB+	3.454	11/15/2021
437076AW2	12235	Home Depot Inc		12/14/2018	2,750,000.00	2,817,579.17	2,817,579.17	4.400	A2	A	3.256	04/01/2021
02665WBA8	12068	American Honda Finance		02/23/2016	3,780,000.00	3,764,464.20	3,779,964.27	1.700	A1	A+	1.707	02/22/2019
02665WBE0	12091	American Honda Finance		07/12/2016	2,500,000.00	2,465,425.00	2,499,557.87	1.200	A1	A+	1.234	07/12/2019
4581X0DB1	12191	Inter-America Devel BK		04/19/2018	285,000.00	284,519.30	284,519.30	2.625	Aaa		2.687	04/19/2021
459200JE2	12067	IBM Corp Notes		02/19/2016	20,000,000.00	19,948,000.00	19,999,045.21	1.800	Aa3	AA-	1.812	05/17/2019
44932HAH6	12181	IBM Corp Notes		03/12/2018	250,000.00	247,945.12	247,945.12	3.000	A1	A+	3.218	02/06/2023
458140AZ3	12136	INTEL CORP		05/15/2017	10,000,000.00	9,954,100.00	10,007,923.79	1.850	A1	A+	1.790	05/11/2020
458140AZ3	12155	INTEL CORP		08/21/2017	250,000.00	248,852.50	250,167.50	1.850	A1	A+	1.799	05/11/2020
24422ETE9	12063	John Deere Capital Corp		01/08/2016	8,300,000.00	8,292,945.00	8,299,996.77	1.950	A2	A	1.952	01/08/2019
24422EUA5	12180	John Deere Capital Corp		03/12/2018	250,000.00	245,297.92	245,297.92	2.700	A2	A	3.209	01/06/2023
46625HQU7	12081	JP Morgan Chase		05/26/2016	10,000,000.00	9,963,400.00	10,001,315.45	1.850	A3	A	1.789	03/22/2019
46625HHU7	12157	JP Morgan Chase		08/21/2017	250,000.00	259,124.75	259,124.75	4.250	A3	A-	2.129	10/15/2020
58933YAS4	12164	MERCK & CO INC		08/22/2017	250,000.00	250,497.63	250,497.63	1.850	A1	AA	1.666	02/10/2020
594918BN3	12095	MICROSOFT CORP		08/08/2016	6,500,000.00	6,413,095.00	6,498,654.80	1.100	Aaa	AAA	1.135	08/08/2019
594918BN3	12133	MICROSOFT CORP		04/07/2017	6,000,000.00	5,919,780.00	5,983,434.72	1.100	Aaa	AAA	1.568	08/08/2019
594918BG8	12149	MICROSOFT CORP		08/17/2017	250,000.00	251,201.16	251,201.16	2.000	Aaa	AAA	1.730	11/03/2020

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
68389XBB0	12148	Oracle Corp		08/17/2017	250,000.00	252,091.45	252,091.45	2.500	A1	AA-	2.471	05/15/2022
68389XAX3	12185	Oracle Corp		03/14/2018	5,000,000.00	4,989,219.59	4,989,219.59	2.250	A1	AA-	2.537	10/08/2019
742718EN5	12154	Procter & Gamble Co		08/21/2017	250,000.00	249,723.14	249,723.14	1.850	Aa3	AA-	1.905	02/02/2021
713448DE5	12070	Pepsico Inc Corp Note		02/24/2016	3,850,000.00	3,832,405.50	3,849,947.18	1.500	A1	A	1.510	02/22/2019
713448DX3	12236	Pepsico Inc Corp Note		12/14/2018	3,800,000.00	3,702,005.73	3,702,005.73	2.000	A1	A+	3.177	04/15/2021
717081DU4	12083	PFIZER INC		06/03/2016	10,000,000.00	9,921,100.00	9,998,395.56	1.450	A1	AA	1.489	06/03/2019
808513AW5	12196	Charles Schwab Corp		05/22/2018	160,000.00	159,996.17	159,996.17	3.250	A2		3.251	05/21/2021
857477AS2	12158	State Street Corp		08/21/2017	250,000.00	252,667.93	252,667.93	2.550	A1	A	1.874	08/18/2020
89236TBP9	12121	Toyota Motor Corporation		01/12/2017	5,000,000.00	5,000,150.00	5,005,870.86	2.125	Aa3	AA-	1.904	07/18/2019
89236TCQ6	12165	Toyota Motor Corporation		08/22/2017	250,000.00	254,734.79	254,734.79	2.800	Aa3	AA-	2.231	07/13/2022
89233P5T9	12231	Toyota Motor Corporation		12/07/2018	5,000,000.00	4,997,015.65	4,997,015.65	3.300	Aa3	AA-	3.320	01/12/2022
911312BP0	12170	UNITED PARCEL SERVICE		11/14/2017	200,000.00	199,789.68	199,789.68	2.050	A1		2.099	04/01/2021
91159HHA1	12152	US BANCORP		08/17/2017	250,000.00	262,029.40	262,029.40	4.125	A1	A+	2.215	08/24/2021
92826CAC6	12203	Visa Inc		06/07/2018	250,000.00	246,545.27	246,545.27	2.800	A1	A+	3.178	12/14/2022
931142EJ8	12223	Walmart Inc		10/31/2018	10,000,000.00	10,007,776.89	10,007,776.89	3.125	Aa2	AA	3.091	06/23/2021
94974BFU9	12089	Wells Fargo & Company		06/27/2016	10,000,000.00	9,998,400.00	10,019,301.97	2.125	A2	A	1.483	04/22/2019
		Subtotal and Average	**208,288,518.61**		**232,386,000.00**	**231,828,544.71**	**232,513,465.34**				**2.080**	
Negotiable CDs - GC 53601(i)												
06417GU22	12204	Bank of Nova Scotia		06/07/2018	400,000.00	399,891.19	399,891.19	3.080			3.100	06/05/2020
06539RGM3	12166	Bank of Tokyo-MITS		09/27/2017	250,000.00	250,000.00	250,000.00	2.070	P-1	A-1	2.099	09/25/2019
06417GUE6	12127	Bank of Nova Scotia Hous		04/06/2017	10,000,000.00	9,963,800.00	10,000,000.00	1.910			1.910	04/05/2019
13606BVF0	12190	Canadian Imperial Holding		04/10/2018	250,000.00	250,000.00	250,000.00	2.814			2.794	04/10/2020
83050FXT3	12141	Skandinaviska Enskilada Banken		08/04/2017	14,000,000.00	13,938,540.00	13,998,402.50	1.840	P-1	A-1	1.860	08/02/2019
87019U6D6	12172	Swedbank		11/17/2017	18,000,000.00	17,902,800.00	18,000,000.00	2.270			2.270	11/16/2020
89113X5B6	12209	Toronto Dominion Bank		06/29/2018	25,000,000.00	25,000,000.00	25,000,000.00	2.670	P-1	A-1+	2.670	06/28/2019
		Subtotal and Average	**79,310,986.56**		**67,900,000.00**	**67,705,031.19**	**67,898,293.69**				**2.286**	
Commercial Paper Disc.- GC 53601(h)												
09659CVW5	12232	BNP Paribas NY		12/07/2018	20,300,000.00	19,907,257.03	19,907,257.03	2.890	P-1	A-1	2.981	08/30/2019
25214PHE6	12200	DEXIA CREDIT LOCAL SA NY		05/31/2018	25,000,000.00	24,976,763.89	24,976,763.89	2.390	P-1	A-1+	2.461	01/15/2019
4497W1QF6	12207	ING		06/25/2018	6,125,000.00	6,094,198.06	6,094,198.06	2.480	P-1	A-1	2.556	03/15/2019
46640QVC2	12238	J P Morgan Securiities Inc		12/14/2018	20,000,000.00	19,628,333.33	19,628,333.33	3.000	P-1	A-1	3.092	08/12/2019
62479MQD8	12218	MUFG Banl LTD/NY		09/14/2018	25,000,000.00	24,878,215.28	24,878,215.28	2.470	P-1	A-1	2.501	03/13/2019
63873KNE3	12214	Natixis NY Branch		07/17/2018	30,000,000.00	29,973,566.67	29,973,566.67	2.440	P-1	A-1	2.470	01/14/2019

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		Subtotal and Average	**134,377,364.51**		**126,425,000.00**	**125,458,334.26**	**125,458,334.26**				**2.657**	
Fed Agcy Coupon Sec - GC 53601(f)												
3133EEMA5	12011	Federal Farm Credit Bank		01/30/2015	10,000,000.00	9,901,800.00	10,001,906.55	1.500	Aaa	AA	1.480	12/30/2019
3130A8DB6	12084	Federal Home Loan Bank		06/03/2016	16,935,000.00	16,753,118.10	16,933,898.76	1.125	Aaa	AA+	1.139	06/21/2019
3130A8DB6	12090	Federal Home Loan Bank		07/12/2016	26,000,000.00	25,720,760.00	26,039,734.09	1.125	Aaa	AA+	0.797	06/21/2019
3130AAXX1	12125	Federal Home Loan Bank		03/17/2017	10,000,000.00	9,942,200.00	9,998,248.54	1.375	Aaa	AA+	1.458	03/18/2019
313383HU8	12144	Federal Home Loan Bank		08/16/2017	1,200,000.00	1,203,587.52	1,203,587.52	1.750	Aaa	AA+	1.538	06/12/2020
3130AF5B9	12222	Federal Home Loan Bank		10/12/2018	10,000,000.00	9,997,219.44	9,997,219.44	3.000			3.011	10/12/2021
3137EADZ9	12100	Federal Home Loan Mtg Corp		08/29/2016	17,500,000.00	17,339,875.00	17,508,407.40	1.125	Aaa	AA+	0.956	04/15/2019
3137EAEB1	12114	Federal Home Loan Mtg Corp		12/19/2016	20,000,000.00	19,687,200.00	19,926,292.90	0.875	Aaa	AA+	1.561	07/19/2019
3137EAEE5	12139	Federal Home Loan Mtg Corp		08/07/2017	1,200,000.00	1,200,107.67	1,200,107.67	1.500	Aaa	AA+	1.491	01/17/2020
3136FTS67	12013	Federal National Mtg Assn		02/03/2015	10,000,000.00	9,984,300.00	10,008,224.04	1.700	Aaa	AA	1.157	02/27/2019
3135G0J53	12069	Federal National Mtg Assn		02/23/2016	21,150,000.00	20,950,132.50	21,147,465.12	1.000	Aaa	AA+	1.080	02/26/2019
3135G0N33	12094	Federal National Mtg Assn		08/08/2016	18,675,000.00	18,375,639.75	18,666,451.41	0.875	Aaa	AA+	0.954	08/02/2019
3135G0J53	12096	Federal National Mtg Assn		08/09/2016	7,900,000.00	7,825,345.00	7,901,151.40	1.000	Aaa	AA+	0.903	02/26/2019
3135G0T29	12123	Federal National Mtg Assn		02/28/2017	12,600,000.00	12,469,212.00	12,596,886.40	1.500	Aaa	AA+	1.522	02/28/2020
3135G0ZA4	12134	Federal National Mtg Assn		04/07/2017	20,000,000.00	20,005,200.00	20,015,142.86	1.875	Aaa	AA	1.298	02/19/2019
3135G0T60	12140	Federal National Mtg Assn		08/07/2017	1,200,000.00	1,198,593.67	1,198,593.67	1.500	Aaa	AA+	1.576	07/30/2020
3135G0T29	12142	Federal National Mtg Assn		08/16/2017	1,200,000.00	1,187,544.00	1,200,203.01	1.500	Aaa	AA+	1.485	02/28/2020
		Subtotal and Average	**205,575,510.11**		**205,560,000.00**	**203,741,834.65**	**205,543,520.78**				**1.261**	
US Treasury Note-GC 53601(b)												
912828H52	12116A	U.S. Treasury		12/21/2016	12,400,000.00	12,235,824.00	12,354,862.73	1.250	Aaa		1.596	01/31/2020
912828SD3	12119	U.S. Treasury		12/21/2016	25,000,000.00	24,843,750.00	24,999,012.04	1.250	Aaa		1.299	01/31/2019
912828N63	12122	U.S. Treasury		01/24/2017	20,000,000.00	19,854,600.00	19,999,696.60	1.125	Aaa		1.165	01/15/2019
912828XV7	12143	U.S. Treasury		08/16/2017	2,500,000.00	2,499,408.06	2,499,408.06	1.250			1.299	06/30/2019
912828H86	12160	U.S. Treasury		08/18/2017	2,000,000.00	1,987,077.73	1,987,077.73	1.500	Aaa		1.719	01/31/2022
912828T67	12161	U.S. Treasury		08/18/2017	2,000,000.00	1,976,318.20	1,976,318.20	1.250	Aaa		1.685	10/31/2021
912828Q78	12162	U.S. Treasury		08/18/2017	2,000,000.00	1,989,530.33	1,989,530.33	1.375			1.607	04/30/2021
912828L99	12163	U.S. Treasury		08/18/2017	2,000,000.00	1,994,952.13	1,994,952.13	1.375	Aaa		1.517	10/31/2020
912828S43	12174	U.S. Treasury		12/21/2017	20,000,000.00	19,663,200.00	19,883,674.47	0.750	Aaa		1.857	07/15/2019
912828SX9	12175	U.S. Treasury		12/21/2017	20,000,000.00	19,800,000.00	19,944,302.52	1.125	Aaa		1.814	05/31/2019
9128282T6	12176	U.S. Treasury		01/31/2018	25,000,000.00	24,869,753.31	24,869,753.31	1.250			2.054	08/31/2019
9128282P4	12179	U.S. Treasury		03/12/2018	1,250,000.00	1,218,807.88	1,218,807.88	1.875	Aaa		2.617	07/31/2022
912828U73	12184	U.S. Treasury		03/12/2018	20,000,000.00	19,838,481.73	19,838,481.73	1.375			2.243	12/15/2019

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US Treasury Note-GC 53601(b)												
912828TV2	12193	U.S. Treasury		04/30/2018	15,900,000.00	15,751,914.96	15,751,914.96	1.250	Aaa		2.402	10/31/2019
9128282G4	12194	U.S. Treasury		04/30/2018	20,000,000.00	19,793,630.41	19,793,630.41	0.875	Aaa		2.376	09/15/2019
912828U32	12198	U.S. Treasury		05/21/2018	10,000,000.00	9,874,408.67	9,874,408.67	1.000	Aaa		2.481	11/15/2019
912828K58	12210	U.S. Treasury		06/29/2018	22,400,000.00	22,073,022.54	22,073,022.54	1.375	Aaa		2.506	04/30/2020
912828TR1	12215	U.S. Treasury		07/31/2018	10,000,000.00	9,891,255.87	9,891,255.87	1.000	Aaa		2.490	09/30/2019
912828XH8	12216	U.S. Treasury		07/31/2018	10,000,000.00	9,850,093.75	9,850,093.75	1.625	Aaa		2.660	06/30/2020
9128282Z2	12217	U.S. Treasury		09/14/2018	5,375,000.00	5,269,742.61	5,269,742.61	1.625			2.760	10/15/2020
912828A83	12220	U.S. Treasury		10/01/2018	21,000,000.00	20,812,775.15	20,812,775.15	2.375	Aaa		2.838	12/31/2020
912828V31	12221	U.S. Treasury		10/01/2018	22,000,000.00	21,702,648.95	21,702,648.95	1.375	Aaa		2.710	01/15/2020
9128284B3	12224	U.S. Treasury		10/31/2018	10,100,000.00	9,996,707.53	9,996,707.53	2.375	Aaa		2.858	03/15/2021
912828B58	12225	U.S. Treasury		10/31/2018	20,000,000.00	19,705,262.76	19,705,262.76	2.125	Aaa		2.861	01/31/2021
9128284D9	12226	U.S. Treasury		11/07/2018	850,000.00	832,652.66	832,652.66	2.500	Aaa		3.017	03/31/2023
912828P79	12227	U.S. Treasury		11/07/2018	875,000.00	823,377.92	823,377.92	1.500			3.022	02/28/2023
912828F21	12228	U.S. Treasury		11/30/2018	20,330,000.00	19,952,132.54	19,952,132.54	2.125	Aaa		2.834	09/30/2021
912828WN6	12229	U.S. Treasury		11/30/2018	15,160,000.00	14,870,855.54	14,870,855.54	2.000	Aaa		2.824	05/31/2021
9128284W7	12230	U.S. Treasury		11/30/2018	15,000,000.00	14,968,249.18	14,968,249.18	2.750	Aaa		2.834	08/15/2021
912828XM7	12233	U.S. Treasury		12/14/2018	20,000,000.00	19,643,920.69	19,643,920.69	1.625	Aaa		2.784	07/31/2020
912828B90	12239	U.S. Treasury		12/14/2018	20,000,000.00	19,678,429.95	19,678,429.95	2.000	Aaa		2.772	02/28/2021
912828Q37	12240	U.S. Treasury		12/14/2018	19,600,000.00	18,966,943.25	18,966,943.25	1.250			2.744	03/31/2021
9128282Q2	12241	U.S. Treasury		12/18/2018	25,550,000.00	25,064,455.14	25,064,455.14	1.500			2.705	08/15/2020
		Subtotal and Average	**385,262,709.73**		**458,290,000.00**	**452,294,183.44**	**453,078,357.80**				**2.365**	
Supranationals												
4581X0CX4	12201	Inter-America Devel BK		05/31/2018	12,975,000.00	12,817,776.69	12,817,776.69	1.625	Aaa	AAA	2.541	05/12/2020
459058GA5	12195	INTL BK RECON & DEVELP		04/30/2018	15,000,000.00	14,746,011.26	14,746,011.26	1.626	Aaa	AAA	2.675	09/04/2020
459058FS7	12197	INTL BK RECON & DEVELP		05/21/2018	10,000,000.00	9,870,376.19	9,870,376.19	1.126	Aaa	AAA	2.595	11/27/2019
459058FA6	12199	INTL BK RECON & DEVELP		05/25/2018	10,000,000.00	9,852,876.54	9,852,876.54	1.376	Aaa	AAA	2.591	03/30/2020
		Subtotal and Average	**47,222,227.41**		**47,975,000.00**	**47,287,040.68**	**47,287,040.68**				**2.605**	
Asset Backed Security(GNMA/CMO)												
05522RCW6	12206	BACCT 2017		06/13/2018	10,000,000.00	9,841,406.25	9,841,406.25	1.950	Aaae		2.896	08/15/2022
		Subtotal and Average	**9,841,406.25**		**10,000,000.00**	**9,841,406.25**	**9,841,406.25**				**2.896**	

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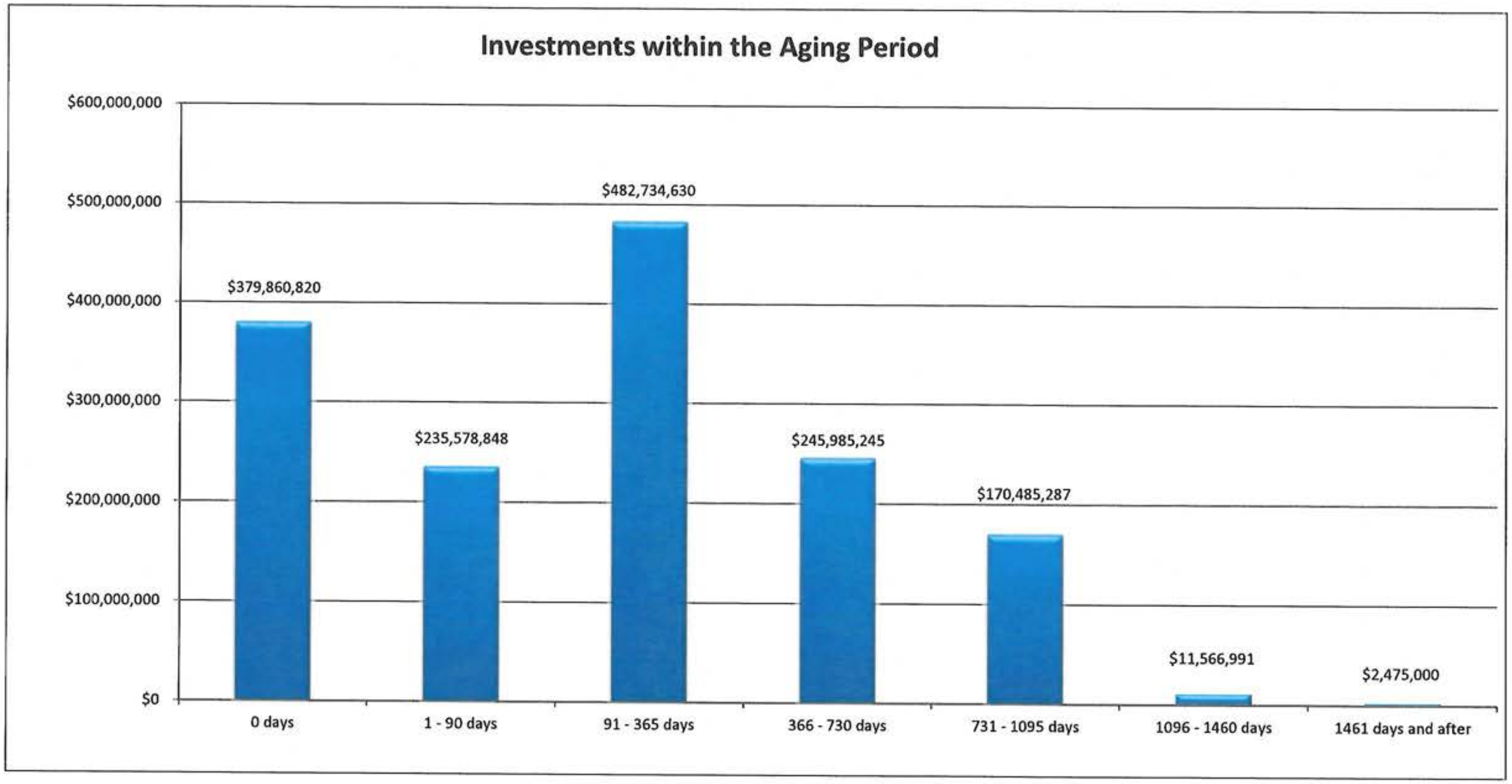
Municipal Bonds												
13063DGA0	12192	California TXBL		04/25/2018	290,000.00	290,008.90	290,008.90	2.800	Aa3	AA-	2.799	04/01/2021
		Subtotal and Average	**290,009.38**		**290,000.00**	**290,008.90**	**290,008.90**				**2.799**	
		Total and Average	**1,416,494,956.50**		**1,528,686,820.37**	**1,518,307,204.45**	**1,521,771,248.07**				**2.201**	

Exhibit C
Monterey County
Aging Report
By Maturity Date
As of January 1, 2019

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(01/01/2019 - 01/01/2019)	13 Maturities	379,860,820.37	24.85%	379,860,820.37	379,860,820.37
Aging Interval:	1 - 90 days	(01/02/2019 - 04/01/2019)	17 Maturities	235,578,848.15	15.41%	234,632,836.42	233,869,337.40
Aging Interval:	91 - 365 days	(04/02/2019 - 01/01/2020)	40 Maturities	482,734,629.89	31.58%	478,607,973.70	476,337,855.26
Aging Interval:	366 - 730 days	(01/02/2020 - 12/31/2020)	29 Maturities	245,985,244.91	16.09%	240,611,947.72	240,181,521.56
Aging Interval:	731 - 1095 days	(01/01/2021 - 12/31/2021)	24 Maturities	170,485,286.53	11.15%	165,868,008.79	165,868,008.79
Aging Interval:	1096 - 1460 days	(01/01/2022 - 12/31/2022)	11 Maturities	11,566,990.54	0.76%	19,793,673.05	19,793,673.05
Aging Interval:	1461 days and after	(01/01/2023 -)	5 Maturities	2,475,000.00	0.16%	2,395,988.02	2,395,988.02
		Total for	139 Investments	1,528,686,820.39	100.00	1,521,771,248.07	1,518,307,204.45



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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100