

# PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 13, 2025

## NEW ISSUE - FULL BOOK-ENTRY

**RATING: Moody's: "Aa3"**  
**See "RATING" herein.**

*In the opinion of Jones Hall LLP, San Mateo, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

**\$28,000,000\***  
**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
(Los Angeles County, California)  
**Election of 2024 General Obligation Bonds,**  
**Series A**

**\$14,840,000\***  
**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
(Los Angeles County, California)  
**2025 General Obligation Refunding Bonds**

**Dated: Date of Delivery**

**Due: August 1, as shown on inside front cover**

**Authority and Purpose.** The above-captioned Election of 2024 General Obligation Bonds, Series A (the "2024 Series A Bonds") and the 2025 General Obligation Refunding Bonds (the "Refunding Bonds" and, together with the 2024 Series A Bonds, the "Bonds") are being issued by the San Gabriel Unified School District (the "District") pursuant to certain provisions of the California Government Code and resolutions of the Governing Board of the District adopted on July 22, 2025. The 2024 Series A Bonds were authorized at an election of the registered voters of the District held on November 5, 2024, which authorized the issuance of \$178,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities of the District. The 2024 Series A Bonds are the first series of bonds to be issued under the 2024 Authorization (as defined herein). The Refunding Bonds are being issued to refund certain outstanding general obligation bonds of the District. See "THE BONDS – Authority for Issuance" herein.

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

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

**Payments.** The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover pages hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2026. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as agent for the Treasurer and Tax Collector of the County of Los Angeles, California, the designated paying agent, registrar and transfer agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

**Redemption.\*** The Bonds are subject to redemption prior to maturity as described herein. The Bonds may be subject to mandatory sinking fund redemption as determined at the time of sale. See "THE BONDS – Redemption."

### MATURITY SCHEDULE

(See inside cover)

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

*The Bonds will be sold and awarded through two separate competitive bidding processes both to be held on August 20, 2025, as set forth in the two separate Official Notices of Sale for the Bonds. The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall LLP, San Mateo, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall LLP, San Mateo, California, as Disclosure Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about September 10, 2025\*.*

The date of this Official Statement is \_\_\_\_\_, 2025.

*\*Preliminary; subject to change.*

# MATURITY SCHEDULES\*

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
(Los Angeles County, California)  
**Election of 2024**  
**General Obligation Bonds, Series A**

**Base CUSIP<sup>†</sup>: 797782**

<b><u>Maturity Date</u></b> <b><u>(August 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP<sup>†</sup></u></b>
2026	\$2,975,000				
2027	2,300,000				
2028	2,600,000				
2029	25,000				
2030	30,000				
2031	35,000				
2032	40,000				
2033	45,000				
2034	50,000				
2035	90,000				
2036	135,000				
2037	190,000				
2038	245,000				
2039	310,000				
2040	375,000				
2041	450,000				
2042	525,000				
2043	610,000				
2044	705,000				
2045	805,000				
2046	910,000				
2047	1,025,000				
2048	1,150,000				
2049	1,285,000				
2050	1,430,000				
2051	1,585,000				
2052	1,745,000				
2053	1,920,000				
2054	2,105,000				
2055	2,305,000				

*[Continued on the next page]*

*\*Preliminary; subject to change.*

*†CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District nor the Purchaser takes any responsibility for the accuracy of the CUSIP data.*

## MATURITY SCHEDULES\*

*[Continued from Previous Page]*

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
(Los Angeles County, California)  
**2025 General Obligation Refunding Bonds**

**Base CUSIP<sup>†</sup>: 797782**

<b>Maturity Date</b> <b><u>(August 1)</u></b>	<b>Principal</b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP<sup>†</sup></u></b>
2026	\$1,400,000				
2027	1,495,000				
2028	1,530,000				
2029	4,095,000				
2030	1,315,000				
2031	1,485,000				
2032	1,660,000				
2033	1,860,000				

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*\*Preliminary; subject to change.*

*†CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District nor the Purchaser takes any responsibility for the accuracy of the CUSIP data.*

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
(Los Angeles County, California)

**GOVERNING BOARD**

Rochelle Kate Haas, *President*  
Cheryl A. Shellhart, *Vice President*  
Gina Chi, *Clerk*  
Robert Mercado, *Member*  
Dr. Gary Thomas Scott, *Member*

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**DISTRICT ADMINISTRATION**

James Symonds, *Superintendent*  
Joan Perez, Ed.D., *Assistant Superintendent, Educational Services*  
Ross Perry, *Assistant Superintendent of Human Resources*

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**PROFESSIONAL SERVICES**

**MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc.  
*Irvine, California*

**BOND AND DISCLOSURE COUNSEL**

Jones Hall LLP  
*San Mateo, California*

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

U.S. Bank Trust Company, National Association,  
as agent of the Los Angeles County Treasurer and Tax Collector  
*Los Angeles, California*

**VERIFICATION AGENT**

Causey Public Finance, LLC  
*Denver, Colorado*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

**Involvement of Purchaser.** The Purchaser has provided the following statement for inclusion in this Official Statement: The Purchaser has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

**Stabilization of and Changes to Offering Prices.** The Purchaser may overallocate or take other steps that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Purchaser may discontinue such market stabilization at any time. The Purchaser may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Purchaser.

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

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

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

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

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**\$28,000,000\***  
**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
(Los Angeles County, California)  
**Election of 2024 General Obligation Bonds,**  
**Series A**

**\$14,840,000\***  
**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
(Los Angeles County, California)  
**2025 General Obligation Refunding Bonds**

The purpose of this Official Statement, which includes the cover page, inside cover pages and attached appendices, is to set forth certain information concerning the sale and delivery of (i) Election of 2024 General Obligation Bonds, Series A (the “**2024 Series A Bonds**”) and (ii) 2025 General Obligation Refunding Bonds (the “**Refunding Bonds**”) and, together with the 2024 Series A Bonds, the “**Bonds**”) by San Gabriel Unified School District (the “**District**”).

## INTRODUCTION

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

**The District.** The District is located in central Los Angeles County (the “**County**”), in the State of California (the “**State**”), approximately ten miles east of the city of Los Angeles. The District was officially organized as an elementary school district in 1868, became a unified school district on July 1, 1992, and includes portions of the incorporated cities of San Gabriel and Rosemead, as well as unincorporated areas of the County. The District covers approximately 4.54 square miles. The District operates one high school, one continuation school, one middle school and five elementary schools, with enrollment of approximately 4,377 students budgeted for fiscal year 2025-26.

In addition, within the District’s boundaries there is currently one charter school authorized by the District. The approximate budgeted enrollment of the independent charter school for fiscal year 2025-26 is 232 students. The charter school receives revenues from the State for each student enrolled regardless of where the student lives. The charter school was authorized by the District but is fiscally independent of the District and is not included in the District’s historical financial statements. No charter schools are included in the District’s financial statements.

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

**Purpose of Issue.** The net proceeds of the 2024 Series A Bonds will be used to finance construction of and improvements to facilities of the District, as approved by voters in the District at an election held on November 5, 2024 (the “**Bond Election**”), which authorized a total of \$178,000,000 principal amount of general obligation bonds (the “**2024 Authorization**”), and to pay costs of issuance.

The net proceeds of the Refunding Bonds will be used to refund the District’s outstanding 2015 General Obligation Refunding Bonds, Series A (the “**Refunded Bonds**”), and to pay costs of issuance.

See “THE FINANCING PLAN” herein.

**Authority for Issuance of the Bonds.** Issuance of the 2024 Series A Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize \$178,000,000 of general obligation bonds, and will be issued pursuant to certain provisions of the California Government Code and a resolution adopted by the Governing Board of the District on July 22, 2025 (the “**2024 Series A Bond Resolution**”). See “THE BONDS – Authority for Issuance” herein.

The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “**Refunding Law**”) and under a resolution adopted by the Governing Board of the District on July 22, 2025 (the “**Refunding Bond Resolution**” and, together with the 2024 Series A Bond Resolution, the “**Bond Resolutions**”). See “THE BONDS - Authority for Issuance.”

**Description of the Bonds.** The Bonds will be issued as current interest bonds, will be dated their date of delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover pages hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2026. See “THE BONDS – Description of the Bonds” herein.

**Payment and Registration of the Bonds.** The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC’s book-entry only system (“**DTC Participants**”) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

If 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 Bond Resolutions. See “THE BONDS - Registration, Transfer and Exchange of Bonds” herein.

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

Following the issuance of the 2024 Series A Bonds, there will be \$150,000,000\* of unissued general obligation bonds remaining for issuance under the 2024 Authorization. See “FINANCIAL INFORMATION - Existing Debt Obligations” in APPENDIX A.

**Redemption\*.** The Bonds are subject to redemption prior to maturity as described herein. The Bonds may be subject to mandatory sinking fund redemption as determined at the time of the sale. See “THE BONDS – Redemption.”

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\* Preliminary; subject to change.



**Legal Matters.** Issuance of the Bonds is subject to the approving opinions of Jones Hall LLP, San Mateo, California, Bond Counsel, to be delivered in substantially the forms attached hereto as APPENDIX D. Jones Hall LLP, San Mateo, California, will serve as Disclosure Counsel to the District. Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

**Tax Matters.** In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” and Appendix D hereto for the forms of Bond Counsel’s opinions to be delivered concurrently with the Bonds.

**Continuing Disclosure.** The District has covenanted and agreed that it will comply with and carry out all of the provisions of a continuing disclosure certificate (the “**Continuing Disclosure Certificate**”), the form of which is attached as APPENDIX E. See “CONTINUING DISCLOSURE” for additional information.

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

**Other Information.** This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement are available from the District, which may impose a charge for copying, mailing and handling.

## THE FINANCING PLAN

### The 2024 Series A Bonds

The 2024 Series A Bonds are the first series of bonds issued pursuant to the 2024 Authorization. Following the issuance of the 2024 Series A Bonds, there will be \$150,000,000\* of unissued general obligation bonds for issuance remaining under the 2024 Authorization.

Proceeds of the 2024 Series A Bonds will be used for the purposes specified in the ballot measure approved by voters in the District on November 5, 2024, the abbreviated text of which appeared on the ballot as follows:

*“To upgrade classrooms, science labs, career-training facilities, and instructional technology to support college/career readiness in math, science, technology, engineering, arts, and skilled trades; repair deteriorating roofs, plumbing, electrical, and ventilation; and improve school safety and security systems; shall San Gabriel Unified School District’s measure authorizing \$178,000,000 in bonds at legal rates be adopted, levying approximately \$44 per \$100,000 assessed value while bonds are outstanding (averaging \$8,300,000 annually), with citizen oversight, independent audits, and all money locally controlled?”*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **“Project List”**). The District makes no representation as to the specific application of the proceeds of the 2024 Series A Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2024 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

### The Refunding Bonds

On October 22, 2015, the District issued its 2015 General Obligation Refunding Bonds, Series A (the **“2015 Refunding Bonds”**), as current interest bonds, in the original principal amount of \$33,400,000 for the purpose of refunding certain maturities of the District’s then outstanding (i) Election of 2002 General Obligation Bonds, Series 2004B, (ii) 2005 General Obligation Refunding Bonds, (iii) Election of 2002 General Obligation Bonds, Series 2007C, and (iv) Election of 2008 General Obligation Bonds, Series A.

The 2015 Refunding Bonds currently outstanding are subject to optional redemption on August 1, 2025, or any date thereafter, at a price equal to the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium. The 2015 Refunding Bonds are currently outstanding in the aggregate principal amount of \$19,880,000.

The proceeds of the Refunding Bonds will be used to refinance the Refunded Bonds, identified below, on or about October 10, 2025\*, and to pay related costs of issuance.

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\* Preliminary; subject to change.

### Identification of Refunded Bonds\*

Maturity Date (August 1)	CUSIP†	Principal Amount	Redemption Price
2026	797782 KH1	\$1,350,000	100.0%
2027	797782 KJ7	1,635,000	100.0
2028	797782 KK4	1,670,000	100.0
2029	797782 KL2	4,380,000	100.0
2030	797782 KM0	1,430,000	100.0
2031	797782 KN8	1,605,000	100.0
2032	797782 KP3	1,785,000	100.0
2033	797782 KQ1	1,985,000	100.0
Total	--	\$15,840,000	--

\*Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. The District takes no responsibility for the accuracy of the CUSIP data.

The District will deliver the net proceeds of the Refunding Bonds to U.S. Bank Trust Company, National Association, as escrow bank (the “**Escrow Bank**”), for deposit in an escrow fund (the “**Escrow Fund**”) established under an Escrow Agreement (the “**Escrow Agreement**”), between the District and the Escrow Bank. The Escrow Bank will invest such funds in certain federal securities (“**Escrow Fund Securities**”) and in cash, and will apply such funds, together with interest earnings (if any) on the investment of such funds in Escrow Fund Securities, to pay the principal of and interest on the Refunded Bonds

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

*The Escrow Fund Securities and cash held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds, and will not be available for the payment of debt service with respect to the Refunding Bonds or the 2024 Series A Bonds.*

## THE BONDS

### Authority for Issuance

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

### Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “Book-Entry Only System” and APPENDIX F.

The Bonds shall be issued in the denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2026 (each, an “**Interest Payment Date**”). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15<sup>th</sup>) day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2026, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as agent for the Treasurer and Tax Collector of Los Angeles, California, as the designated paying agent, registrar and transfer agent (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

### Book-Entry Only System

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

As long as DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or any other action premised on such notice. See APPENDIX F.

The Paying Agent, the District, and the Purchaser of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial

ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

**Redemption\***

**Optional Redemption-2024 Series A Bonds.** The 2024 Series A Bonds maturing on or before August 1, 2035 are not subject to redemption prior to maturity. The 2024 Series A Bonds maturing on or after August 1, 2036 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2035, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

**No Optional Redemption-Refunding Bonds.** The Refunding Bonds are not subject to redemption prior to maturity.

Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent or as otherwise directed by the District. For the purpose of selection for optional redemption, Bonds will be deemed to consist of \$5,000 portions (principal amount), and any such portion may be separately redeemed. The Bonds may all be separately redeemed.

**Mandatory Sinking Fund Redemption – 2024 Series A Bonds.** The 2024 Series A Bonds maturing on August 1, 20\_\_ (the “**2024 Series A Term Bonds**”), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The 2024 Series A Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payment amounts and on the dates set forth below, without premium, together with interest accrued thereon to the date fixed for redemption.

**2024 Series A Term Bonds Maturing August 1, 20\_\_**

<b>Redemption Date (August 1)</b>	<b>Sinking Fund Redemption</b>
---------------------------------------	------------------------------------

**Mandatory Sinking Fund Redemption-Refunding Bonds.** The Refunding Bonds maturing on August 1, 20\_\_ (the “**Refunding Term Bonds**” and, together with the 2024 Series A Term Bonds, the “**Term Bonds**”), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Refunding Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payment amounts and on the dates set forth below, without premium, together with interest accrued thereon to the date fixed for redemption.

\* Preliminary; subject to change. Designation of Term Bonds is at bidder’s option at the time of the sale.

## **Refunding Term Bonds Maturing August 1, 20\_\_**

<b>Redemption Date (August 1)</b>	<b>Sinking Fund Redemption</b>
<hr/>	

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

### **Notice of Redemption**

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District to be mailed, first class, postage prepaid, at least 20 but not more than 60 days prior to the date fixed for redemption, to the owners of the Bonds designated for redemption. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice may be a conditional notice of redemption and subject to rescission as set forth below.

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

### **Partial Redemption of Bonds**

Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

### **Effect of Redemption**

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolutions, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

### **Right to Rescind Notice of Redemption**

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption

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

### **Registration, Transfer and Exchange of Bonds**

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

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

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in San Francisco, California for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book-entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolutions, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

### **Defeasance and Discharge of Bonds**

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

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolutions) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolutions it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by

any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolutions and will be:

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

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

**“Federal Securities,”** as defined in the Bond Resolutions, means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.



## DEBT SERVICE SCHEDULES

**The 2024 Series A Bonds.** The following table shows the annual debt service schedule with respect to the 2024 Series A Bonds, assuming no optional redemptions.

**San Gabriel Unified School District  
Election of 2024  
General Obligation Bonds, Series A  
Debt Service Schedule**

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
TOTAL			

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

**San Gabriel Unified School District  
2025 General Obligation Refunding Bonds  
Debt Service Schedule**

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
TOTAL			

**Combined General Obligation Bonds.** The following table shows the combined annual debt service schedule with respect to all outstanding general obligation bonds of the District secured by *ad valorem* property taxes, assuming no optional redemptions. See APPENDIX A – “FINANCIAL INFORMATION – Existing Debt Obligations” for additional information.

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
**Combined General Obligation Bond Debt Service Schedule**

Bond Year Ending August 1	Election of 2002 Bonds, Series A	Election of 2002 Bonds, Series B	Election of 2002 Bonds, Series C	2012 B Refunding Bonds	Election of 2008 Bonds, Series B	2015 A Refunding Bonds <sup>(1)</sup>	Election of 2008, Series D Bonds	2022 A Refunding Bonds	2022 B Refunding Bonds	The 2024 Series A Bonds	Refunding Bonds	Total Debt Service
2025	--	\$310,000	--	\$335,563	\$1,030,000	\$4,958,220	\$398,600	\$313,200	\$1,002,261			
2026	\$3,530,000	330,000	--	--	1,045,000	2,066,225	395,400	313,200	1,056,710			
2027	1,850,000 <sup>(2)</sup>	2,075,000	--	--	1,060,000	2,283,725	397,000	313,200	1,118,694			
2028	--	4,260,000	--	--	1,080,000	2,236,975	398,200	313,200	1,177,986			
2029	--	1,930,000	--	--	1,105,000	4,863,475	399,000	313,200	1,239,145			
2030	--	--	\$5,635,000	--	1,120,000	1,716,375	399,400	313,200	1,311,950			
2031	--	--	5,870,000	--	1,140,000	1,827,025	399,400	313,200	1,375,760			
2032	--	--	6,115,000 <sup>(3)</sup>	--	1,155,000	1,934,800	399,000	313,200	1,410,423			
2033	--	--	--	--	1,175,000	2,054,475	398,200	313,200	1,446,968			
2034	--	--	--	--	3,660,000	--	397,000	313,200	1,517,438			
2035	--	--	--	--	3,810,000	--	395,400	313,200	1,588,074			
2036	--	--	--	--	3,960,000	--	398,400	313,200	1,658,645			
2037	--	--	--	--	4,115,000	--	395,800	1,523,200	528,922			
2038	--	--	--	--	--	--	397,800	5,484,800	528,922			
2039	--	--	--	--	--	--	399,200	1,456,000	4,798,922			
2040	--	--	--	--	--	--	400,000	--	6,499,940			
2041	--	--	--	--	--	--	395,200	--	889,950			
Total	\$5,380,000	\$8,905,000	\$17,620,000	\$335,563	\$25,455,000	\$23,941,295	\$6,763,000	\$12,222,400	\$29,150,710			

(1) Expected to be refunded with the proceeds of the Refunding Bonds. See “THE FINANCING PLAN - The Refunding Bonds.”

(2) Matures February 1, 2027.

(3) Matures July 1, 2032.

# SOURCES AND USES OF FUNDS

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

<b><u>Sources of Funds</u></b>	<b>2024 Series A Bonds</b>	<b>Refunding Bonds</b>
Principal Amount of Bonds		
[Net] Original Issue [Premium]/[Discount]		
<b>Total Sources</b>		
<b><u>Uses of Funds</u></b>		
Building Fund		
Escrow Fund		
Debt Service Fund		
Costs of Issuance <sup>(1)</sup>		
<b>Total Uses</b>		

<sup>(1)</sup> All estimated costs of issuance including, but not limited to, Purchaser's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, and the rating agency.

## SECURITY FOR THE BONDS

### ***Ad Valorem Taxes***

***Bonds Payable from Ad Valorem Property Taxes.*** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

***Other Debt Payable from Ad Valorem Property Taxes.*** In addition to the Bonds, there is other debt issued by the District and other entities with jurisdiction in the District, which is payable from *ad valorem* property taxes levied on all property in the District. See “PROPERTY TAXATION – Tax Rates” and “- Direct and Overlapping Debt” below.

***Levy, Collection and Pledge of Taxes.*** The County will levy and collect such *ad valorem* property taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is held by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

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

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

***Annual Tax Rates.*** The amount of the annual *ad valorem* property tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

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

## Building Fund

Proceeds from the sale of the 2024 Series A Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the 2024 Series A Bond Resolution and known as the "Election of 2024, Series A Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District funds. The proceeds will be used solely for the purposes for which the 2024 Series A Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the 2024 Series A Bonds not needed for the authorized purposes for which the 2024 Series A Bonds are being issued shall be transferred to the 2024 Series A Debt Service Fund (as defined below) and applied to the payment of principal of and interest on the 2024 Series A Bonds. If, after payment in full of the 2024 Series A Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

## Debt Service Funds

**2024 Series A Bonds Debt Service Fund.** Amounts to pay debt service on the 2024 Series A Bonds will be held in the fund created and established in the 2024 Series A Bond Resolution and known as the "Election of 2024, Series A Debt Service Fund" (the "**2024 Series A Debt Service Fund**") for the 2024 Series A Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the District. All taxes levied by the County for the payment of the principal of and interest on the 2024 Series A Bonds will be deposited in the 2024 Series A Debt Service Fund by the County promptly upon the receipt. The 2024 Series A Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the 2024 Series A Bonds when and as the same become due. The County will transfer amounts in the 2024 Series A Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest on the 2024 Series A Bonds as the same becomes due and payable.

If, after payment in full of the 2024 Series A Bonds, any amounts remain on deposit in the 2024 Series A Debt Service Fund, the County shall transfer such amounts to the District's general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

**Refunding Bonds Debt Service Fund.** Amounts to pay debt service on the Refunding Bonds will be held in the fund created and established in the Refunding Bond Resolution and known as the "San Gabriel Unified School District, 2025 General Obligation Refunding Bonds Debt Service Fund" (the "**Refunding Debt Service Fund**") for the Refunding Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the District. All taxes levied by the County for the payment of the principal of and interest on the Refunding Bonds will be deposited in the Refunding Debt Service Fund by the County promptly upon the receipt. The Refunding Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Refunding Bonds when and as the same become due. The County will transfer amounts in the Refunding Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest on the Refunding Bonds as the same becomes due and payable.

If, after payment in full of the Refunding Bonds, any amounts remain on deposit in the Refunding Debt Service Fund, the County shall transfer such amounts to the District's general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

## **Not a County Obligation**

The Bonds are payable solely from the proceeds of an *ad valorem* property tax levied and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt of the County.

## **PROPERTY TAXATION**

### **Property Tax Collection Procedures**

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% 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 county in which the property is located.

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

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent

taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

### **Taxation of State-Assessed Utility Property**

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

### **Assessed Valuation**

The assessed valuation of property in the District is established by the assessor of the County, except for public utility property which is assessed by the SBE, as described above. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see APPENDIX A under the heading “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.”

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

**Assessed Valuation History.** The table below shows a history of the District’s assessed valuation.

#### **SAN GABRIEL UNIFIED SCHOOL DISTRICT Assessed Valuation Fiscal Years 2015-16 through 2024-25**

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>	<b>% Change</b>
2015-16	\$4,929,760,419	\$9,084	\$71,894,888	\$5,001,664,391	--%
2016-17	5,162,456,742	83,136	71,279,210	5,233,819,088	4.6
2017-18	5,463,426,900	83,136	77,049,295	5,540,559,331	5.9
2018-19	5,783,315,231	83,136	85,009,657	5,868,408,024	5.9
2019-20	6,209,218,262	83,136	83,226,175	6,292,527,573	7.2
2020-21	6,484,939,964	105,452	79,986,412	6,564,926,376	4.3
2021-22	6,710,845,285	105,352	79,204,611	6,790,155,248	3.4
2022-23	7,121,032,198	105,352	90,763,369	7,211,900,919	6.2
2023-24	7,469,763,485	105,352	98,860,565	7,568,729,402	4.9
2024-25	7,891,333,779	83,136	104,493,503	7,995,910,418	5.6

Source: California Municipal Statistics, Inc.

The County has indicated that the total assessed valuation in the District for fiscal year 2025-26 is \$8,369,504,516, an increase of 4.4% from the prior fiscal year.



***Factors Relating to Increases/Decreases in Assessed Value.*** As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and disasters such as wildfires, earthquakes, droughts, floods, climate change and pandemics, among others. The District cannot predict or make any representations regarding the effects that natural disasters or other conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Wildfires. According to the State, fire season is starting earlier and ending later each year, with the increased length of the season corresponding to an increase in the extent of forest fires across the State. In addition to destroying land and structures, there have been human fatalities and negative impacts on air quality throughout the State. Fires in the State and neighboring states have threatened the region's power grids, making some power lines unreliable. The Governor has issued executive orders in the past suspending penalties, costs and interest on late property tax payments for properties impacted by wildfires. The District cannot predict or make any representations regarding the effects that wildfires and related conditions have or may have on the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

On January 7, 2025, the Palisades Fire started in the Pacific Palisades area of Los Angeles County, destroying nearly 7,000 structures and damaging over 1,000 more. Several other fires subsequently broke out in Los Angeles County, destroying and threatening numerous structures, including the Eaton Fire in Altadena, which destroyed more than 9,000 structures and damaged 1,000 more. Neither the Palisades Fire nor the Eaton Fire caused damage within the District.

Seismic Events. The District is located in a seismically active region. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Drought. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation, which resulted in related severe flooding and mudslides in certain regions. As of June 10, 2025, the U.S. Drought Monitor indicates that the State is classified as experiencing mostly no drought conditions in the northern part of the State, some abnormally dry and moderate drought conditions in the central part of the State, with moderate severe, and extreme drought conditions in the southern part of the State, with the County experiencing moderate and severe drought conditions.

During 2021, the Governor of the State proclaimed a drought state of emergency for all counties in the State, culminating with an October 19, 2021, proclamation, urging Californians to step up their water conservation efforts. In January 2022, the State Water Board adopted emergency regulations aimed at saving water and raising drought awareness, with prohibitions focused on reducing outdoor water use, enforceable by local agencies and the State Water Board, generally with warning letters, mandatory water use audits, and fines. In January 2023, the State Water Board adopted its first five-year temporary groundwater recharge permit, in addition to adopting new statewide sanitary sewer orders and appointing eleven members to the Advisory Group on Safe Drinking Water Funding. Local agencies can impose and enforce their own drought conservation rules.

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

Public Health Emergencies. In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the World Health Organization announced the official name for the outbreak of the disease known as COVID-19 ("**COVID-19**"), an upper respiratory tract illness, that spread across the globe. The ultimate impact of COVID-19 on the District's operations and finances and the economy, real estate market, development within the District and tax collections may not be fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the District's operations and finances. In addition, the District cannot predict whether future pandemics will occur and whether any such pandemics may impact its finances or operations. As of this date, several vaccines have been provided approval by federal health authorities and are widely available, and both the national emergency and state of emergency have officially ended, and the World Health Organization declared an end to the COVID-19 global health emergency.

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

**Assessed Valuation by Jurisdiction.** The table below shows the assessed valuation by jurisdiction of properties within the District.

**SAN GABRIEL UNIFIED SCHOOL DISTRICT  
Assessed Valuation by Jurisdiction  
Fiscal Year 2024-25**

<b><u>Jurisdiction:</u></b>	<b><u>Assessed Valuation in District</u></b>	<b><u>% of District</u></b>	<b><u>Assessed Valuation of Jurisdiction</u></b>	<b><u>% of Jurisdiction in District</u></b>
City of Alhambra	\$ 4,911,098	0.06%	\$12,403,240,743	0.04%
City of Rosemead	84,871,535	1.06	\$6,121,188,834	1.39%
City of San Gabriel	6,037,030,871	75.50	\$7,167,766,644	84.22%
City of Temple City	161,112,100	2.01	\$6,925,811,970	2.33%
Unincorporated Los Angeles Co.	<u>1,707,984,814</u>	<u>21.36</u>	<u>\$144,695,183,022</u>	<u>1.18%</u>
Total District	\$7,995,910,418	100.00%		
Los Angeles County	\$7,995,910,418	100.00%	\$2,101,924,313,796	0.38%

Source: California Municipal Statistics, Inc.

**Assessed Valuation by Land Use.** The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2024-25. As shown, the majority of the District's assessed valuation is represented by residential property.

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

<b><u>Non-Residential:</u></b>	<b><u>2024-25 Assessed Valuation <sup>(1)</sup></u></b>	<b><u>% of Total</u></b>	<b><u>No. of Parcels</u></b>	<b><u>% of Total</u></b>
Commercial	\$1,038,462,934	13.16%	660	5.99%
Vacant Commercial	305,632,647	3.87	117	1.06
Industrial	212,071,010	2.69	151	1.37
Vacant Industrial	2,300,997	0.03	15	0.14
Recreational	24,266,423	0.31	14	0.13
Government/Social/Institutional	99,757,455	1.26	129	1.17
Miscellaneous/Water Companies	<u>9,102,989</u>	<u>0.12</u>	<u>68</u>	<u>0.62</u>
Subtotal Non-Residential	\$1,691,594,455	21.44%	1,154	10.47%
<b><u>Residential:</u></b>				
Single Family Residence	\$4,535,265,090	57.47%	7,638	69.27%
Condominium/Townhouse	617,474,473	7.82	1,226	11.12
2-4 Residential Units	396,531,293	5.02	622	5.64
5+ Residential Units/Apartments	629,608,097	7.98	285	2.58
Vacant Residential	<u>20,860,371</u>	<u>0.26</u>	<u>101</u>	<u>0.92</u>
Subtotal Residential	\$6,199,739,324	78.56%	9,872	89.53%
<b>Total</b>	<b>\$7,891,333,779</b>	<b>100.00%</b>	<b>11,026</b>	<b>100.00%</b>

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

**Assessed Valuation of Single-Family Residential Parcels.** The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2024-25, including the median and average assessed value of single-family parcels in the District.

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

Single Family Residential	No. of Parcels	2024-25 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	7,638	\$4,535,265,090	\$593,777	\$541,776

2024-25 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	482	6.311%	6.311%	\$ 35,275,707	0.778%	0.778%
\$100,000 - \$199,999	582	7.620	13.930	85,246,063	1.880	2.657
\$200,000 - \$299,999	678	8.877	22.807	171,919,319	3.791	6.448
\$300,000 - \$399,999	936	12.255	35.062	327,793,456	7.228	13.676
\$400,000 - \$499,999	861	11.273	46.334	387,447,253	8.543	22.219
\$500,000 - \$599,999	710	9.296	55.630	391,166,393	8.625	30.844
\$600,000 - \$699,999	685	8.968	64.598	444,023,049	9.790	40.634
\$700,000 - \$799,999	669	8.759	73.357	500,945,219	11.046	51.680
\$800,000 - \$899,999	595	7.790	81.147	505,499,816	11.146	62.826
\$900,000 - \$999,999	440	5.761	86.908	417,833,371	9.213	72.039
\$1,000,000 - \$1,099,999	326	4.268	91.176	342,208,341	7.545	79.584
\$1,100,000 - \$1,199,999	191	2.501	93.676	219,231,118	4.834	84.418
\$1,200,000 - \$1,299,999	141	1.846	95.522	176,074,773	3.882	88.301
\$1,300,000 - \$1,399,999	115	1.506	97.028	154,896,291	3.415	91.716
\$1,400,000 - \$1,499,999	77	1.008	98.036	111,166,246	2.451	94.167
\$1,500,000 - \$1,599,999	45	0.589	98.625	69,760,245	1.538	95.705
\$1,600,000 - \$1,699,999	33	0.432	99.057	54,178,348	1.195	96.900
\$1,700,000 - \$1,799,999	27	0.353	99.411	46,991,993	1.036	97.936
\$1,800,000 - \$1,899,999	15	0.196	99.607	27,978,416	0.617	98.553
\$1,900,000 - \$1,999,999	7	0.092	99.699	13,618,248	0.300	98.853
\$2,000,000 and greater	23	0.301	100.000	52,011,425	1.147	100.000
	7,638	100.000%		\$4,535,265,090	100.000%	

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

## Reassessments and Appeals of Assessed Value

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

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

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed

because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

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

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.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

## Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 8467) within the District for fiscal years 2020-21 through 2024-25.

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
**Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 8467)<sup>(1)</sup>**  
**Fiscal Years 2020-21 through 2024-25**

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
City of San Gabriel	.140000	.140000	.140000	.140000	.140000
San Gabriel Unified School District	.098617	.101847	.102718	.098972	.102017
Los Angeles Community College District	.040162	.043759	.024882	.060231	.051361
Metropolitan Water District	.003500	.003500	.003500	.003500	.007000
<b>Total Tax Rate</b>	<b>\$1.282279</b>	<b>\$1.289106</b>	<b>\$1.271100</b>	<b>\$1.302703</b>	<b>\$1.300378</b>

(1) 2024-25 assessed valuation of TRA 8467 is \$3,898,792,721, which is 48.76% of the District's total assessed valuation.  
Source: California Municipal Statistics, Inc.

## Tax Levies and Delinquencies

The following table shows tax charges, collections and delinquencies for secured property in the District. Because the County does not participate in an Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the “**Teeter Plan**”), secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected.

The tables below show the secured tax charge and delinquency rate for the identified fiscal years, with respect to the 1% general fund apportionment and the District’s general obligation bond debt service levy.

### SAN GABRIEL UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies Fiscal Years 2015-16 through 2023-24

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amount Delinquent June 30	Percent Delinquent June 30
2015-16	\$8,411,957.59	\$120,018.31	1.43%
2016-17	8,784,289.67	104,929.57	1.19
2017-18	9,358,297.54	116,887.82	1.25
2018-19	9,896,910.07	135,901.40	1.37
2019-20	10,655,665.54	241,486.66	2.27
2020-21	11,132,999.22	190,593.83	1.71
2021-22	11,509,540.87	180,513.49	1.57
2022-23	12,204,788.39	191,267.00	1.57
2023-24	12,866,903.69	226,707.05	1.76

(1) 1% general fund apportionment. Excludes redevelopment agency impounds.  
Source: California Municipal Statistics, Inc.

### SAN GABRIEL UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies Fiscal Years 2015-16 through 2023-24

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amount Delinquent June 30	Percent Delinquent June 30
2015-16	\$5,245,620.86	\$37,839.76	0.72%
2016-17	5,409,038.53	30,395.83	0.56
2017-18	5,484,007.29	40,504.63	0.74
2018-19	5,696,226.80	49,888.38	0.88
2019-20	6,000,140.98	89,100.73	1.48
2020-21	6,404,993.84	80,557.13	1.26
2021-22	6,830,895.87	71,125.50	1.04
2022-23	7,307,523.42	63,513.08	0.87
2023-24	7,401,640.71	132,844.38	1.79

(1) District’s general obligation bond debt service levy only.  
Source: California Municipal Statistics, Inc.

## Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2024-25. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

### SAN GABRIEL UNIFIED SCHOOL DISTRICT Top 20 Secured Property Taxpayers Fiscal Year 2024-25

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2024-25 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	UP Province Holding LLC	Residential/Retail	\$121,325,986	1.54%
2.	San Yi US Investment Company Inc.	Hotel	105,678,017	1.34
3.	Landwin DMV LLC	Commercial	75,491,087	0.96
4.	Universal Shopping Plaza	Shopping Center	74,927,418	0.95
5.	Landwin Hospitality LLC	Hotel	53,113,190	0.67
6.	SGVMC Calmed Investment LP	Hospital	46,874,646	0.59
7.	Pacific Square San Gabriel LLC	Commercial	35,978,316	0.46
8.	Andrienne Sirott	Apartments	34,841,489	0.44
9.	Rubio Village LLC	Commercial	31,234,489	0.40
10.	Calac Investment	Shopping Center	27,906,962	0.35
11.	Lancer Investments LLC	Shopping Center	26,775,949	0.34
12.	NHP PMB San Gabriel Valley	Office Building	24,480,800	0.31
13.	One Investments LLC	Commercial	23,317,909	0.30
14.	Barbera Property Management LLC	Apartments	22,606,520	0.29
15.	Demer Properties Inc.	Apartments	22,314,719	0.28
16.	3 Eleven Investment LLC	Office Building	20,232,272	0.26
17.	LSG Las Tunas LP	Commercial	19,297,256	0.24
18.	San Gabriel Rosemead LLC	Apartments	18,485,729	0.23
19.	Cett Investments Corp	Commercial	17,782,448	0.23
20.	San Gabriel AI Real Estate LLC	Commercial	<u>16,612,305</u>	<u>0.21</u>
			<u>\$819,277,507</u>	<u>10.38%</u>

(1) 2024-25 local secured assessed valuation: \$7,891,333,779.

Source: California Municipal Statistics, Inc.

## Direct and Overlapping Debt

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

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

### **SAN GABRIEL UNIFIED SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt (Debt Issued as of July 1, 2025)**

**2024-25 Assessed Valuation:** \$7,995,910,418

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 7/1/25</u></b>
Metropolitan Water District	0.196%	\$ 33,624
Los Angeles Community College District	0.673	33,108,269
<b>San Gabriel Unified School District</b>	<b>100.000</b>	<b><u>67,790,657</u></b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$100,932,550</b>
 <b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>		
Los Angeles County General Fund Obligations	0.380%	\$11,539,222
Los Angeles County Superintendent of Schools Certificates of Participation	0.380	8,861
City of Alhambra General Fund Obligations	0.040	<u>2,014</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$11,550,097</b>
 <b>COMBINED TOTAL DEBT</b>		<b>\$112,482,647</b> <sup>(2)</sup>

#### **Ratios to 2024-25 Assessed Valuation:**

<b>DIRECT DEBT (\$67,790,657)</b> .....	<b>0.85%</b>
Total Overlapping Tax and Assessment Debt .....	1.26%
Combined Total Debt .....	1.41%

(1) Excludes the Bonds offered for sale hereunder and includes the Refunded Bonds.

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

Source: California Municipal Statistics, Inc.



## TAX MATTERS

### Tax Exemption

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

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

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

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

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

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

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

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

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

## **VERIFICATION OF MATHEMATICAL ACCURACY**

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay upon prior redemption, principal, interest and redemption premium requirements of the Refunded Bonds described under the heading "THE FINANCING PLAN" and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the Refunded Bonds and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Refunding Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

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

## **CERTAIN LEGAL MATTERS**

### **Legality for Investment**

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

### **Absence of Material Litigation**

No Litigation Regarding Bonds or Existence of District. No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* property taxes or to collect other revenues or (iii) contests the District's ability to issue and sell the Bonds.

Claims and Lawsuits Against Public School Districts Generally. The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District. The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District, including with respect to fees it has received or expects to receive from developers or Assembly Bill 218. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. The District cannot predict what types of claims may arise in the future, including but not limited to claims relating to health issues and pandemics, or claims that may be made available by future legislation.

### **Compensation of Certain Professionals**

Payment of the fees and expenses of Jones Hall LLP, as Bond Counsel and Disclosure Counsel to the District and Fieldman, Rolapp & Associates, Inc., as municipal advisor to the District, are contingent upon issuance of the Bonds.

## **MUNICIPAL ADVISOR**

The District has retained Fieldman, Rolapp & Associates, Inc. (the “**Municipal Advisor**”), as municipal advisor in connection with the issuance and sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement or any of the other legal documents and, further, the Municipal Advisor does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

## CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (an **“Annual Report”**) to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website (**“EMMA”**) not later than nine months after the end of the District’s fiscal year, commencing March 31, 2026, with the report for the 2024-25 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District on EMMA. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Purchaser of the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the **“Rule”**).

In the previous five-years, failed to timely file its audited financial statements for fiscal years 2019-20 and 2020-21, though unaudited financial statements for such years were filed in advance of the respective deadlines. In order to assist it in complying with its undertakings pursuant to the Rule, including the undertaking to be entered into with respect to the Bonds, the District has engaged Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices, to serve as its dissemination agent.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability with respect to the performance of the District’s duties regarding continuing disclosure. The County has not reviewed, nor is it responsible for, the content of this Official Statement.

## RATING

Moody’s Investors Services (**“Moody’s”**) has assigned a rating of “Aa3” to the Bonds. Such rating reflects only the views of Moody’s and an explanation of the significance of such rating may be obtained only from Moody’s. The District has provided certain additional information and materials to Moody’s (some of which does not appear in this Official Statement because it has been considered not material to making an investment decision in the Bonds). There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by Moody’s, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

The District has covenanted in the Continuing Disclosure Certificate to file on EMMA notices of any changes on the Bonds. See **“APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE”** attached hereto. Notwithstanding such covenant, information relating to ratings 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 Moody’s and its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

## COMPETITIVE SALE OF BONDS

The Bonds were sold pursuant to two separate competitive bidding processes held pursuant to the terms set forth in two separate Official Notices of Sale with respect to each series of the Bonds.

The Series A Bonds were awarded to \_\_\_\_\_ (the “**Series A Bond Purchaser**”), whose proposal represented the lowest combined true interest cost for the Series A Bonds as determined in accordance with the Official Notice of Sale, and the following is the related purchase price:

**Series A Bonds.** \$\_\_\_\_\_ which is equal to the initial principal amount of the Series A Bonds of \$\_\_\_\_\_, plus [net] original issue premium of \$\_\_\_\_\_, less a Purchaser’s discount of \$\_\_\_\_\_.

The Refunding Bonds were awarded to \_\_\_\_\_ (the “**Refunding Bond Purchaser**”), whose proposal represented the lowest combined true interest cost for the Refunding Bonds as determined in accordance with the Official Notice of Sale, and the following is the related purchase price:

**Refunding Bonds.** \$\_\_\_\_\_ which is equal to the initial principal amount of the Refunding Bonds of \$\_\_\_\_\_, plus [net] original issue premium of \$\_\_\_\_\_, less a Purchaser’s discount of \$\_\_\_\_\_.

## ADDITIONAL INFORMATION

The discussions herein about the Bond Resolutions and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District and, following delivery of the Bonds, will be on file at the office of the Paying Agent.

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

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

## **EXECUTION**

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

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Superintendent

## APPENDIX A

### GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

#### GENERAL INFORMATION

The District is located in central Los Angeles County (the "**County**"), in the State of California (the "**State**"), approximately ten miles east of the city of Los Angeles. The District was officially organized as an elementary school district in 1868, became a unified school district on July 1, 1992, and includes portions of the incorporated cities of San Gabriel and Rosemead, as well as unincorporated areas of the County. The District covers approximately 4.54 square miles. The District operates one high school, one continuation school, one middle school and five elementary schools, with enrollment of approximately 4,377 students budgeted for fiscal year 2025-26.

For more information regarding the District and its finances see APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the City of San Gabriel and the County.

#### Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "**Charter School Law**"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and the petition for a charter school's creation approved by an existing local public school district, a county board of education, or the State Board of Education.

Withing the District's boundaries there is currently one charter school authorized by the District. The approximate budgeted enrollment of the independent charter school for fiscal year 2025-26 is 232 students. The charter school receives revenues from the State for each student enrolled regardless of where the student lives. The charter school was authorized by the District but is fiscally independent of the District and is not included in the District's historical financial statements. No charter schools are included in the District's financial statements.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within

the public school system to stimulate improvements in all public schools.

## District Governance and Administration

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Rochelle Kate Haas	President	December 2026
Cheryl A. Shellhart	Vice President	December 2028
Gina Chi	Clerk	December 2026
Robert Mercado	Member	December 2028
Dr. Gary Thomas Scott	Member	December 2026

**Administrative Personnel.** The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. James Symonds currently serves as the Superintendent of the District.

## Recent Enrollment Trends

The following table shows a recent history and budgeted enrollment for the District.

### ANNUAL ENROLLMENT Fiscal Years 2019-20 through 2025-26 San Gabriel Unified School District

<u>Fiscal Year</u>	<u>Student Enrollment <sup>(1)</sup></u>	<u>% Change</u>
2019-20	4,947	--%
2020-21	4,806	(2.9)
2021-22	4,689	(2.4)
2022-23	4,595	(2.0)
2023-24	4,614	0.4
2024-25	4,492	(2.6)
2025-26 <sup>(2)</sup>	4,377	(2.6)

(1) Does not include charter school enrollment.

(2) Budgeted.

Source: State Department of Education; San Gabriel Unified School District.

## Employee Relations

For fiscal year 2025-26, the District has budgeted for 258 full-time equivalent ("FTE") certificated employees, 197 FTE classified employees, and 44 FTE management employees. Two unions represent the District employees as shown in the table below.

<u>Employee Group</u>	<u>Bargaining Group</u>	<u>Contract Expiration Date</u>
Certificated	San Gabriel Teachers Association	June 30, 2027
Classified	Teamsters Local 911	June 30, 2027

Source: San Gabriel Unified School District.



## FINANCIAL INFORMATION

### Education Funding Generally

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

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

- A base grant for each local education agency per unit of average daily attendance ("**ADA**"), which varies with respect to different grade spans and are adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 65% (which was increased from 50% as part of the State's trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

In 2021, legislation was passed that requires school districts operating a kindergarten program to also provide a transitional kindergarten ("**TK**") program for all 4-year-old children by fiscal year 2025–26.

Funding levels used in the LCFF entitlement calculations for fiscal year 2024-25 are set forth in the following table.

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

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

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

Source: State Department of Education.

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system. When a school district's share of local property taxes exceeds its funding entitlement under LCFF, it is deemed a Basic Aid District and is entitled to keep its local property taxes in lieu of lower funding per ADA available under LCFF. The District is not a Basic Aid District.

### **District Accounting Practices**

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

group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

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

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

## **Financial Statements**

**General.** The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's audited financial statements for fiscal year 2023-24 were prepared by Nigro & Nigro, PC, Murrieta, California, and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement.

**General Fund Revenues, Expenditures and Changes in Fund Balance.** The following tables show the audited income and expense statements for the District for the fiscal years 2019-20 through 2023-24. Due to a change in format this information is presented in two tables.

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Fiscal Years 2019-20 through 2020-21 (Audited)**  
**San Gabriel Unified School District**

	<b>Audited 2019-20</b>	<b>Audited 2020-21</b>
<b><u>Revenues</u></b>		
LCFF	\$49,637,419	\$48,276,059
Federal revenues	3,197,841	8,264,067
Other state revenues	6,049,352	7,019,347
Other local revenues	6,126,548	5,853,500
Total Revenues	64,457,535	69,412,973
<b><u>Expenditures</u></b>		
Instruction	41,426,049	40,286,125
Instruction-related services:	6,620,906	8,243,911
Pupil support services:	6,047,667	4,971,887
Ancillary services	356,442	200,785
Enterprise activities	276,894	--
General administration	4,141,668	4,518,372
Plant services	5,093,358	6,435,649
Other outgo	2,299,404	3,139,667
Debt Service-principal	--	--
Debt Service-interest	--	--
Total Expenditures	66,262,388	67,796,396
Excess of Revenues Over/(Under) Expend.	(1,804,853)	1,616,577
<b><u>Other Financing Sources (Uses)</u></b>		
Operating transfers in	--	--
Operating transfers out	(114,650)	(241,614)
Total Other Fin. Source (Uses)	(114,650)	(241,614)
<b>Net change in fund balance</b>	(1,919,503)	1,374,963
<b>Fund Balance, July 1</b>	10,584,704	8,665,201
<b>Fund Balance, June 30<sup>(1)</sup></b>	\$8,665,201	\$10,040,164

(1) Totals may not foot due to rounding.  
Source: Audited financial statements of the District.

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Fiscal Years 2021-22 through 2023-24 (Audited)<sup>(1)</sup>**  
**San Gabriel Unified School District**

	Audited 2021-22	Audited 2022-23	Audited 2023-24
<u>Revenues</u>			
LCFF Sources	\$51,868,465	\$59,131,029	\$63,262,941
Federal Revenues	9,361,112	6,707,282	6,721,034
Other State Revenues	11,273,817	17,824,099	11,301,014
Other Local Revenues	6,857,536	7,760,766	9,017,743
Total Revenues	79,360,930	91,423,176	90,302,732
<u>Expenditures</u>			
Instruction	46,080,880	48,615,703	53,132,761
Instruction-Related Activities:			
Supervision of Instruction	3,263,365	3,290,644	4,041,960
Instructional Library, Media, Tech	498,398	910,966	1,079,694
School Site Administration	4,363,946	4,266,102	4,046,293
Pupil Services:			
Home-to-School Transport	992,998	1,317,388	1,193,700
Food Services	43,024	145,263	51,034
All Other Pupil Services	5,197,303	5,745,834	6,251,751
Ancillary Services	350,587	388,688	447,616
General Administration:			
Data Proc.	1,139,708	1,318,561	1,504,526
All Other General Administration	4,788,819	5,897,146	6,307,441
Transfers of indirect costs	(78,407)	(86,194)	(92,839)
Plant Services	6,817,808	7,562,283	7,984,895
Capital outlay	192,591	380,584	453,016
Intergovernmental transfers	2,253,345	3,181,234	3,731,321
Debt Service:			
Issuance costs	--	197,872	--
Principal	--	120,551	204,344
Interest	--	19,886	25,226
Total Expenditures	75,904,365	83,272,511	90,362,739
Excess of Revenues Over/(Under) Expenditures	3,456,565	8,150,665	(60,007)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers in	--	--	--
Other Sources-Proceeds from leases	--	487,241	--
Operating Transfers out	--	--	--
Total Other Financing Sources (Uses)	--	487,241	--
Net Change in Fund Balance	3,456,565	8,637,906	(60,007)
Fund Balance, July 1 as originally stated	10,040,164	13,751,661	22,389,567
Adjustment for restatements <sup>(2)</sup>	254,932	--	--
Fund Balance, July 1 as restated	10,295,096	--	--
Fund Balance, June 30 <sup>(3)</sup>	\$13,751,661	\$22,389,567	22,329,560

(1) Audited financial statement for preceding years appear in the preceding table, because the audits were prepared using different formats.

(2) Correction and reconciliations from prior year.

(3) Totals may not foot due to rounding.

Source: Audited financial statements of the District.

## District Budget and Interim Financial Reporting

***Budgeting and Interim Reporting Procedures.*** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Los Angeles County Superintendent of Schools (the "**County Superintendent**").

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

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

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

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

***District's Budget and Interim Certification History.*** During the past five years the District has received positive certifications on all of its interim reports, except for its fiscal year 2023-24 and its fiscal year 2021-22 first interim reports, both of which were certified as qualified.

**District's General Fund.** The following table shows the general fund figures for fiscal year 2024-25 (estimated actuals) and fiscal year 2025-26 (adopted budget).

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
**Revenues, Expenditures, and Changes in General Fund Balance**  
**Fiscal Year 2024-25 (Estimated Actuals)**  
**Fiscal Year 2025-26 (Adopted Budget)**

	<b>Estimated Actuals</b>	<b>Adopted Budget</b>
<b>Revenues</b>	<b>2024-25</b>	<b>2025-26</b>
Total LCFF Sources	\$62,166,673	\$62,390,595
Federal Revenues	3,637,240	2,883,042
Other state revenues	10,318,321	10,142,186
Other local revenues	6,120,883	6,130,883
Total Revenues	82,243,117	81,546,706
<b>Expenditures</b>		
Certificated Salaries	33,498,932	32,257,182
Classified Salaries	11,853,235	12,490,278
Employee Benefits	24,338,945	25,158,104
Books and Supplies	2,391,418	2,395,001
Services and Other Operating Expenditures	15,435,388	11,497,863
Capital Outlay	770,641	388,393
Other Outgo (excluding transfers of indirect costs)	943,624	1,360,082
Other Outgo	(124,942)	(128,730)
Total Expenditures	89,107,241	85,418,173
Excess of Revenues Over/(Under) Expenditures	(6,864,124)	(3,871,467)
<b>Other Financing Sources (Uses)</b>		
Operating transfers in	--	--
Operating transfers out	--	--
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	--	--
Net change in fund balance	(6,864,124)	(3,871,467)
Fund Balance, July 1	21,776,553 <sup>(1)</sup>	14,912,429
Fund Balance, June 30 <sup>(2)</sup>	\$14,912,429	\$11,040,962

(1) As adjusted.

(2) Fund balances do not reflect all funds included in the District's general fund in the audited financial statements shown above.

Source: San Gabriel Unified School District.

**District Reserves.** The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. In addition, the Board has approved a minimum required reserve of 6% of expenditures for the next three fiscal years.

Under State law, there are certain restrictions on the amounts that can be held in reserve by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid



school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in any fiscal year in which when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period, if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multi-year infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap has not been triggered for fiscal year 2025-26.

### Attendance - LCFF Funding

**Funding Trends under LCFF.** As described herein, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District for fiscal years 2019-20 through 2025-26.

#### SAN GABRIEL UNIFIED SCHOOL DISTRICT ADA and LCFF Funding Fiscal Years 2019-20 through 2025-26

Fiscal Year	ADA	LCFF Funding Per ADA
2019-20	4,784	\$10,259
2020-21	4,784	9,960
2021-22	4,396	11,798
2022-23	4,305	13,736
2023-24	4,337	14,586
2024-25 <sup>(1)</sup>	4,370	14,226
2025-26 <sup>(2)</sup>	4,279	14,581

(1) Estimated actuals.

(2) Budgeted.

Source: State Department of Education for fiscal years 2019-20 through 2023-24; San Gabriel Unified School District for fiscal years 2024-25 and 2025-26.

**District's Unduplicated Student Count.** Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 72% for purposes of calculating supplemental and concentration grant funding under LCFF. Recent federal deportation efforts may pose a risk to school districts relying on revenue from the LCFF. With the exception of community supported districts, school districts rely heavily on student attendance and enrollment, including Supplemental and Concentration Grant add-ons for serving a high percentage of English language learner and low income students. If undocumented students, or students who have parents or caretakers that are undocumented or have been granted temporary status, face deportation, districts may experience a decrease in student enrollment or ADA. The District cannot predict potential changes to enrollment or attendance in response to such deportation efforts.

## Revenue Sources

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

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

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

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

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts that were Basic Aid prior to implementation of the LCFF, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement, provided that the per-pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues. The threshold for Community Supported status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. The District is not a Community Supported District. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

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

Since Donald Trump was sworn in as President in January 2025, the federal government has announced possible cuts to federal funding for educational agencies. In addition, President Trump has signed an executive order aimed at dismantling the federal Department of Education (the "**DOE**"), from which California school districts receive funding aimed at low-income and special needs students.

On June 30, 2025, the DOE communicated to the State Department of Education that it would not be issuing grant award notifications of more than \$810,000,000 in federal funds, per the standard process on July 1. These funds are under review by the DOE and may be subject to a delay in receipt or ultimate rescission, which delay or potential rescission is subject to review by congressional act and subject to legal challenge. The District is unable to predict whether the

Trump administration's review of spending, including the delay or rescission of these funds, will be upheld in full or in part or whether legal challenges to this delay or rescission or any other freeze or pause in spending will be successful. Similarly, the District is unable to predict whether the executive order dismantling the DOE or the staff reductions or grant cancellations will be upheld after legal challenge.

If the reductions in funding, elimination of the DOE, or staff layoffs are upheld in whole or in part, the District cannot anticipate whether the amount of federal revenues in the District's general fund will be reduced, or the extent of any reduction, or whether any reduction would occur in the current or any future fiscal year. If federal revenues are delayed, rescinded, or withheld, the District cannot predict whether such delay, rescission, or withdrawal will have a material effect on the finances or operations of the District.

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

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

**Other Local Revenues.** In addition to property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals.

## **District Retirement Systems**

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

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

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013,

however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

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

**STRS EMPLOYER CONTRIBUTION RATES**  
**Effective Dates of July 1, 2020 through July 1, 2025**

<b>Effective Date</b>	<b>Employer Contribution Rate</b>
July 1, 2020	16.15%
July 1, 2021	16.92
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10
July 1, 2025	19.10

*Source: STRS.*

The State also continues to contribute to STRS, and its contribution rate is 8.328% in fiscal year 2025-26.

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

**STRS CONTRIBUTIONS**  
**San Gabriel Unified School District**  
**Fiscal Years 2019-20 through 2025-26**

<b>Fiscal Year</b>	<b>Amount</b>
2019-20	\$4,489,483
2020-21	4,210,807
2021-22	4,889,672
2022-23	5,836,622
2023-24	6,080,719
2024-25 <sup>(1)</sup>	9,158,377
2025-26 <sup>(2)</sup>	9,083,652

(1) Estimated actual.

(2) Budgeted.

*Source: San Gabriel Unified School District.*

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately \$88.7 billion, based on a market value of assets, as of June 30, 2024, which is the date of the last actuarial valuation.

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

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

**EMPLOYER CONTRIBUTION RATES (PERS)**  
**Fiscal Years 2019-20 through 2025-26**

<b>Fiscal Year</b>	<b>Employer Contribution Rate<sup>(1)</sup></b>
2019-20	19.721%
2020-21	20.700
2021-22	22.910
2022-23	25.370
2023-24	26.680
2024-25	27.050
2025-26	26.810

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

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

**PERS EMPLOYER CONTRIBUTIONS  
San Gabriel Unified School District  
Fiscal Years 2019-20 through 2025-26**

Fiscal Year	Amount
2019-20	\$1,736,709
2020-21	1,854,414
2021-22	2,081,050
2022-23	2,452,229
2023-24	2,826,996
2024-25 <sup>(1)</sup>	3,017,287
2025-26 <sup>(2)</sup>	3,173,732

(1) Estimated actual.

(2) Budgeted.

Source: San Gabriel Unified School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately \$40.8 billion, based on a market value of assets, as of June 30, 2024, which is the date of the last actuarial valuation.

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

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

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e.,

employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

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

**Additional Information - STRS and PERS.** Additional information regarding the District's retirement programs is available in Note 8 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

More information regarding STRS and PERS can also be obtained at their websites, [www.calstrs.com](http://www.calstrs.com) and [www.calpers.ca.gov](http://www.calpers.ca.gov), respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Purchaser for accuracy or completeness.*

## **Post-Employment Retirement Benefits**

**Plan Description.** The District administers a single-employer defined benefit other post employment ("OPEB") plan (the "Plan") for qualified employees. The District provides medical benefits to eligible retirees based on their various hire and retirement dates. As of the valuation date, membership of the Plan consists of 5 retirees and beneficiaries currently receiving benefits and 474 active plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2024 - Note 7- Other Postemployment Benefits."

**Total OPEB Liability and Actuarial Assumptions.** The District's total OPEB liability of \$9,957,729 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement period unless otherwise specified: the discount rate was 3.93% based on the Bond Buyer 20 Bond Index, inflation was 2.50%, salary increases were 2.75%, and the healthcare trend rate was 4.00%. Mortality rates are based on the 2020 CalSTRS and the 2021 CalPERS for Miscellaneous and Schools Employees mortality tables.

The assumptions were based on plan experience through June 30, 2021.

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

## CHANGES IN TOTAL OPEB LIABILITY San Gabriel Unified School District

<b>Balance at June 30, 2023</b>	\$9,332,204
<b>Changes for the year</b>	
Service Cost	573,644
Interest	350,008
Changes of assumptions	(238,587)
Benefit payments	<u>(59,540)</u>
Net changes	<u>625,525</u>
<b>Balance at June 30, 2024</b>	<b><u>\$9,957,729</u></b>

*Source: San Gabriel Unified School District.*

**OPEB Expense.** For the year ended June 30, 2024, the District recognized an OPEB expense of \$1,072,769.

For more information regarding the District's OPEB, benefits provided, and assumptions used in its most recent actuarial study, see Note 7 of Appendix B to the Official Statement.

### Insurance – Joint Powers Authorities

The District is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, and natural disasters. The District manages those risks of loss through participation in public entity risk pools. There have been no significant reductions in insurance coverage from the prior year. For each of the past three years settlements did not exceed insurance coverage.

The District participates in three joint ventures under a Joint Powers' Agreement ("JPA"): the West San Gabriel Workers Compensation for workers' compensation with excess coverage provided by the Schools Excess Liability Fund, the West San Gabriel Liability and Property JPA for property and liability insurance coverage, and the Self-Insured Schools of California III to provide medical and dental benefits. Each member district pays a premium commensurate with the level of coverage requested. The District is covered under workers' compensation, liability, medical, vision, and dental insurance.

The relationship between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

For more information regarding the District's participation in joint powers authorities, see Note 9 of APPENDIX B to the Official Statement.

### Disclaimer Regarding Cyber Risks

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. [In the previous five years, the District has not experienced a material cyber incident].



No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of *ad valorem* property taxes, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third-party entities or service providers will not impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

## Existing Debt Obligations

**General Obligation Bonds.** The District has other series of general obligation and refunding general obligation bonds currently outstanding, as summarized in the following table. See also "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the annual debt service requirements of the District's outstanding bonds.

Issue Date	Issue Name	Outstanding Principal as of August 1, 2025
06/25/2002	General Obligation Bonds, Election of 2002, Series A	\$1,112,600
12/02/2004	General Obligation Bonds, Election of 2002, Series B	2,218,646
07/10/2007	General Obligation Bonds, Election of 2002, Series C	4,982,878
05/08/2012	General Obligation Bonds, Election of 2008, Series B	8,273,534
05/08/2012	2012 Refunding Bonds, Series B	325,000
10/22/2015	2015 Refunding Bonds, Series A*	19,880,000
05/05/2022	General Obligation Bonds, Election of 2008, Series D	4,840,000
05/05/2022	2022 Refunding Bonds, Series A	7,830,000
05/05/2022	2022 Refunding Bonds, Series B	18,330,000
Total		<u>\$67,792,658</u>

\* Expected to be refunded with the proceeds of the Refunding Bonds, as described herein.  
Source: District's Audit; the Municipal Advisor.

**Leases.** The District has entered into lease agreements for copier equipment and portable classrooms. The initial terms for these leases are 60 months and 2 years. There are no variable payments included in the measurement of the lease liability, no variable payments included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term.

Annual future payments are as follows:

**San Gabriel Unified School District  
Schedule of Lease Payments**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$75,612	\$6,665	\$82,277
2026	79,878	2,400	82,278
2027	6,856	-	6,856
Total	\$162,346	\$9,065	\$171,411

*Source: District's Audit.*

**Supplemental Early Retirement Plan.** The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2024, for these obligations are shown below.

<b>Year Ending June 30</b>	<b>Payment</b>
2025	\$121,344
2026	121,344
2027	121,343
Total	\$364,031

*Source: District's Audit.*

**Compensated Absences.** Compensated absences (unpaid employee vacation) for the District at June 30, 2024, amounted to \$1,031,088.

### **Impact of COVID-19**

As described in this Official Statement, while indications are that the COVID-19 pandemic is transitioning to an endemic stage, many variables will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery. The ultimate impact of COVID-19 on the District's operations and finances is not fully known, and it may be some time before the full impact of the COVID-19 pandemic is known. The Bonds described in this Official Statement are not secured by the District's funds, but rather are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District.

### **Investment of District Funds**

In accordance with California Government Code Sections 53600 *et seq.*, the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition,

counties are required to establish their own investment policies which may impose limitations beyond those required by the California Government Code. See APPENDIX G to the Official Statement for the County's current investment policy and recent investment report.

### **Effect of State Budget on Revenues**

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

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

## **STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS**

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

### **State Funding of Education Generally**

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

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

## The State Budget Process

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

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

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

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

## Resources Relating to State Budgets

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

- [www.treasurer.ca.gov](http://www.treasurer.ca.gov): The California State Treasurer internet home page, under the link to "Bond Finance" and sub-heading "-Public Finance Division", includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.
- [www.dof.ca.gov](http://www.dof.ca.gov): The California Department of Finance's (the "**DOF**") internet home page, under the link to "California Budget", includes the text of proposed and adopted State Budgets.
- [www.lao.ca.gov](http://www.lao.ca.gov): The LAO's internet home page includes a link to "-The Budget" which includes analyses and commentary on fiscal outlooks.

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

## The 2024-25 State Budget

The Governor signed the fiscal year 2024-25 State budget on June 29, 2024, which was amended through a series of legislative trailer bills (the "**2024-25 State Budget**"). The 2024-25

State Budget notes that the State has experienced significant revenue volatility and unprecedented revenue growth that was quickly followed by a sharp and deep correction back toward historical trends. The 2024-25 State Budget also notes that the unprecedented Internal Revenue Service tax filing and payment postponement in the year 2023 significantly clouded the State's revenue forecast, and indicates that, with the revenue picture now clearer, the 2024-25 State Budget takes steps to ensure California is on sound fiscal footing by setting the State on a fiscally responsible long-term path that protects vital programs.

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

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

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

The 2024-25 State Budget projects total resources available in fiscal year 2023-24 of approximately \$236.5 billion, including revenues and transfers of approximately \$189.4 billion and a prior year balance of approximately \$47.1 billion, and total expenditures in fiscal year 2023-24 of approximately \$223.1 billion. The 2024-25 State Budget projects total resources available for

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

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

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

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

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

Deferrals. The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately \$3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately \$246 million. Additionally, the 2024-25 State

Budget reflects approximately \$2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferred categorical amount being repaid using Proposition 98 Rainy Day Fund resources.

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

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

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

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

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

However, the 2024-25 State Budget suspends provisions to increase this requirement to 7.5% in fiscal year 2025-26 and 10% in fiscal year 2026-27.

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

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

## **The 2025-26 State Budget Proposal**

The Governor sent the fiscal year 2025-26 budget proposal to the legislature on January 10, 2025 (the “**2025-26 State Budget Proposal**”). The 2025-26 State Budget Proposal presents a balanced budget with what are noted as significant reserves in the coming fiscal year, resulting in an upgrade to the State’s financial forecast in the near term and modest upward revisions in the long term. A stronger-than-anticipated performance of the economy, stock market, and cash receipts, combined with an improved economic outlook, are noted as contributors to an upgraded revenue forecast, with general fund revenues, before accounting for transfers and tax policy proposals, projected to be higher by approximately \$16.5 billion (2.7%) than was assumed in the 2024-25 State Budget for the three-year budget window of fiscal years 2023-24 through 2025-26.

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



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

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

The proposal notes that it is maintaining efficiency reductions included in the 2024-25 State Budget intended to address ongoing statewide General Fund budget pressures, and that California State University should continue planning for a reduction of 7.95% in ongoing General Fund support starting in the 2025-26 fiscal year, with the University of California subject to a similar reduction of 7.95%.

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

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

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

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

## **May Revision to the 2025-26 State Budget Proposal**

On May 14, 2025, the Governor released the May Revision to the 2025-26 State Budget Proposal (the “**May Revision**”). The May Revision reflects a budget shortfall of \$27.6 billion, which is a decrease of \$10.4 billion from the \$38 billion shortfall projected in the 2025-26 State Budget Proposal. The May Revision notes that the State faces a \$12 billion shortfall largely due to substantial changes in federal policy, specially, broad-based tariffs and increased expenditure growth above the Governor’s Budget, most notably in Medi-Cal.

**Budget Shortfall Solutions.** The May Revision solves a \$12 billion deficit for 2025-26 through the following categories of solutions. Unlike the last two years during which the State also faced budget deficits, this year’s approach includes a significant number of reductions to ongoing programs that result in greater savings in future years.

**Reductions.** The May Revision includes \$5 billion in total solutions in 2025-26. This category grows to \$14.8 billion in 2028-29, including:

- Enrollment Freeze for Full-Scope Medi-Cal Expansion for Undocumented Adults, Adults 19 and Older—\$86.5 million in 2025-26, growing to \$3.3 billion in 2028-29.
- Medi-Cal Premiums, Adults 19 and Older—Implementation cost of \$30 million in 2025-26, growing to savings of \$2.1 billion in 2028-29 for individuals with certain statuses, those who will eventually qualify for federal funds, and individuals enrolled in the Medi-Cal full-scope expansion.
- Medi-Cal Asset Test Limits—\$94 million in 2025-26, growing to \$791 million in 2028-29.
- Elimination of Long-Term Care Benefits—\$333.3 million in 2025-26, growing to \$800 million in 2026-27 for individuals with certain statuses, those who will eventually qualify for federal funds, and individuals enrolled in the Medi-Cal full-scope expansion.
- Prospective Payment System Payments to Federally Qualified Health Centers and Rural Health Clinics—\$452.5 million in 2025-26, growing to \$1.1 billion in 2026-27.
- Specialty Drug Coverage for Weight Loss—\$85 million in 2025-26, growing to \$680 million in 2028-29.
- Cap In-Home Supportive Services Overtime and Travel Hours at 50 Hours—\$707.5 million in 2025-26, growing to \$893.4 million in 2028-29.
- Require Provider Mandates for Quality Incentive Payment Incentive Eligibility—\$221.7 million ongoing beginning in 2026-27.

*Revenue/Internal Borrowing.* The May Revision includes \$5.3 billion in total solutions for 2025-26 under revenue/internal borrowing, including:

- Proposition 35 Support for Medi-Cal Rate Increases—\$1.3 billion in 2025-26 and \$263.7 million in 2026-27.
- Medical Providers Interim Payment Fund Loan—\$3.4 billion due to extending the repayment deadline.
- Unfair Competition Law Fund Loan—\$150 million in 2025-26.
- Labor and Workforce Development Fund Loan—\$400 million in 2025-26.

*Fund Shifts.* The May Revision shows a \$1.5 billion greenhouse gas reduction fund for CalFire operations in 2025-26, growing to \$1.9 billion in 2028-29.

*Triggers.* In addition to these solution categories, the May Revision includes triggers for two future spending commitments:

- California Food Assistance Program Expansion—\$117.2 million in 2027-28, growing to \$163.2 million in 2028-29.
- Foster Care Tiered Rate Structure Trigger—\$338.9 million in 2027-28, growing to \$522.1 million in 2028-29.

***Education.*** Important education highlights from the May Revision include:

- \$8.4 billion withdrawal from the Public School System Stabilization Account to support TK-12 schools and community colleges.
- A reduction of \$177.5 million in remaining, unused General Fund from a \$2 billion one-time allocation provided to the Office of Public School Construction in the 2023 Budget Act for TK-12 school facilities.
- A reduction of \$19.3 million ongoing Proposition 98 General Fund and \$10.2 million ongoing General Fund to reflect the suspension of the statutory cost-of-living adjustment for the California State Preschool Program in 2025-26.
- \$2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK.
- \$1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

The 2025-26 State Budget is required to be passed by the Legislature by June 15, 2025, prior to the start of the new fiscal year, though the trend in recent years has been for the approval of a largely symbolic bill by that deadline with a substantive agreement emerging later.

***LAO Publications on the May Revision and the Multiyear Budget Outlook.*** The LAO's initial comments on the May Revision as of May 17, 2025 included the following key takeaways:

- A Budget Problem Has Emerged Since January. Since January, when the 2025-26 State Budget Proposal was roughly balanced, a budget problem has emerged. The LAO estimates the administration solved a \$14 billion budget problem (similar to the \$12 billion budget problem cited by the Governor in the May Revision). The budget problem is driven by two key factors: higher baseline spending, most notably in Medi-Cal, and lower revenues, reflecting diminished expectations for both the personal income tax and the corporation tax.
- The Governor Mainly Proposes Addressing the Budget Problem With Spending Solutions. The May Revision proposes \$9.5 billion in spending solutions, including about \$5 billion in spending reductions. A significant share of these spending solutions are ongoing and grow to \$17.5 billion by the last year of the administration's forecast, helping to address, but not fully solve, the State's persistent multiyear deficits. Notably, the administration does not propose using any more in reserves to address this new budget problem, which the LAO notes is prudent.
- Recommend Legislature Maintain Overall May Revision Structure. The LAO recommends the Legislature address the budget shortfall with a similar approach that the administration took, namely adopting solutions that primarily put the State on more solid fiscal footing, rather than those that delay or exacerbate future problems. Moreover, the LAO recommends avoiding committing to new activities. Finally, the State's persistent fiscal imbalance and the added downside risks, particularly from potential federal actions, suggest a need for a more proactive approach. As such, the LAO views the Governor's focus on reducing multiyear spending as a reasonable and appropriate step. That said, the Legislature could allocate the mix of solutions differently, for example, by changing the types of programs, types of reductions, or mix of spending and revenue solutions adopted.

In addition, the LAO prepared a Multiyear Budget Outlook dated May 24, 2025, which presents its forecast of the condition of the state General Fund budget through fiscal year 2028-29 under its revenue and spending estimates and assuming the Governor's May Revision policies are adopted. It notes that its assessment and that of the administration are very similar, being that the State is likely to face persistent future deficits. These deficits range from \$10 billion to \$20 billion through fiscal year 2028-29. As such, the LAO notes that the Governor's approach to the May Revision reflects the reality of the budget challenge before the Legislature. While the Governor focuses solutions in Medi-Cal, constituting \$11 billion of the total \$16 billion in solutions, the LAO notes that the Legislature could pursue a different mix of spending and/or revenue solutions than those proposed. Either way, the LAO recommends the Legislature maintain at least the level of ongoing solutions proposed by the Governor in the May Revision. This is important because, going forward, the budget problems will become more difficult to solve. The LAO notes that the Legislature likely will need to adopt additional solutions that increase ongoing revenues or reduce ongoing spending, both of which involve the most difficult and consequential trade-offs for policy makers.

For the full text of the 2025-26 State Budget Proposal and the May Revision to the 2025-26 State Budget Proposal, see the DOF website at [www.dof.ca.gov](http://www.dof.ca.gov). *The reference to this Internet website is shown for reference and convenience only and the information contained on such website is not incorporated by reference into this Official Statement. The information contained on this website may not be current and has not been reviewed by the District or the Purchaser for accuracy or completeness.*

## **Disclaimer Regarding State Budgets**

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

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

## **Legal Challenges to State Funding of Education**

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

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

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

## **Constitutionally Required Funding of Education**

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

## Article XIII A of the California Constitution

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

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

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

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

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

**Inflationary Adjustment of Assessed Valuation.** As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On

May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

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

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

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

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

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

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

### **Unitary Property**

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

wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

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

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

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

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

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

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local



governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

### **Proposition 98**

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

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

### **Proposition 111**

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

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

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

***Treatment of Excess Tax Revenues.*** “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100%

of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

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

**School Funding Guarantee.** There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

## **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as "**Proposition 39**") to the California Constitution. This amendment (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. Constitutional amendments may be changed only with another statewide vote. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by Proposition 39 are K-12 school districts including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, 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 levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

### **Proposition 1A and Proposition 22**

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

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

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

### **Proposition 30 and Proposition 55**

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

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

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

### **Proposition 2**

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("**Proposition 2**") was approved by California voters on November 4, 2014. Proposition 2 triggered the

implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the BSA established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in fiscal year 2015-16 and for each fiscal year thereafter, the State is required to make an annual transfer to the BSA in an amount equal to 1.5% of estimated State general fund revenues (the "Annual Stabilization Account Transfer"). For a fiscal year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the BSA (a "**Supplemental Stabilization Account Transfer**") are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the BSA.

In addition, for each fiscal year, Proposition 2 increases the maximum size of the BSA to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold. For the period from fiscal year 2015-16 through fiscal year 2029-30, Proposition 2 requires that half of any such transfer to the BSA (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After fiscal year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities and any amount not so applied shall be transferred to the BSA or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA are impacted by Proposition 2. Unilateral discretion to suspend transfers to the BSA are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the BSA for any reason, as was previously provided by law. Instead, the Governor must declare a "budget emergency" (defined as an emergency within the meaning of Article XIII B of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, 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, and 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 provides for the creation of a Public School System Stabilization Account (the "**Public School System Stabilization Account**") into which transfers will be made in any fiscal year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to school districts and community college districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (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 Public School System Stabilization Account 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 Public School System Stabilization Account 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 Public School System Stabilization Account

transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, 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 2 also mandates draws on the Public School System Stabilization Account. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

### **Proposition 2 (2024)**

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

**K-12 School Facilities.** Proposition 2 (2024) includes \$3.3 billion for the new construction of K-12 facilities and an additional \$4 billion for the modernization of existing K-12 facilities, up to 10% of each allocated amount to be reserved for small school districts with an enrollment of fewer than 2,501 students. Of the \$4 billion available in modernization funds, up to \$115 million is available to be used for reducing lead levels in water at school facilities. Generally, K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. However, some school districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of \$1.2 billion will be available for the modernization and new construction of charter school (\$600 million) and technical education (\$600 million) facilities. The State will award funds to career technical education and charter schools through an application process, and charter schools must be deemed financially sound before project approval.

**Community College Facilities.** Proposition 2 (2024) includes \$1.5 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 prepare a plan listing their Statewide project priorities. The Governor and State Legislature will select specific projects to fund.

The District makes no guarantees that it will either pursue or qualify for Proposition 2 (2024) State facilities funding

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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**APPENDIX B**

**SAN GABRIEL UNIFIED SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2023-24**

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**SAN GABRIEL UNIFIED SCHOOL DISTRICT  
LOS ANGELES COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2024**



# SAN GABRIEL UNIFIED SCHOOL DISTRICT

*For the Fiscal Year Ended June 30, 2024*

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# **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2024*

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## *Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
San Gabriel Unified School District  
San Gabriel, California

### Report on the Audit of the Financial Statements

#### ***Opinions***

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

In our opinion, the accompanying 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 San Gabriel Unified School District, as of June 30, 2024, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the Schedule of Charter Schools, 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the Schedule of Charter Schools, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Charter Schools has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

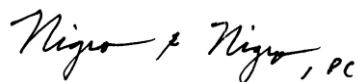
### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control over financial reporting and compliance.



Murrieta, California  
November 25, 2024

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# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

### For the Fiscal Year Ended June 30, 2024

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This discussion and analysis of San Gabriel Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$2.4 million, or 273.3%.
- Governmental expenses were about \$99.0 million. Revenues were about \$101.5 million.
- The District acquired \$3.8 million in new capital assets during the year.
- Governmental funds decreased by \$1.0 million, or 2.5%.

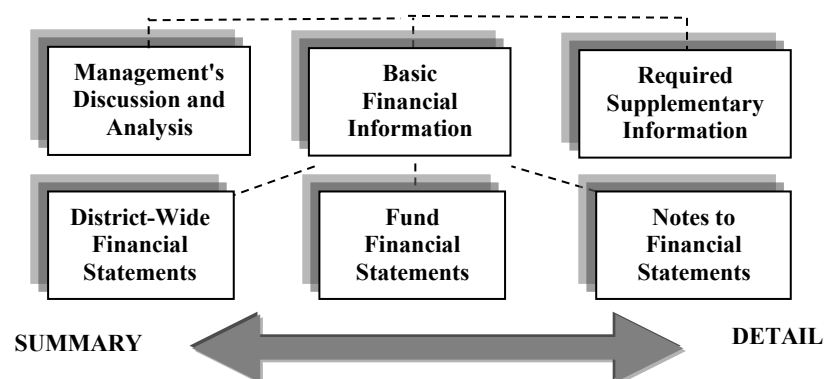
## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of San Gabriel Unified School District's Annual Financial Report**



**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**

The District-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 District'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 District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has one fund type:

***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements 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. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2024, than it was the year before – increasing 273.3% to \$1.5 million (See Table A-1).

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-1: Statement of Net Position**

	Governmental Activities		
	2024	2023*	Net Change
<b>Assets</b>			
Current assets	\$ 49,393,034	\$ 50,990,512	\$ (1,597,478)
Capital assets	112,590,851	111,922,071	668,780
<b>Total assets</b>	161,983,885	162,912,583	(928,698)
<b>Total Deferred outflows of resources</b>	26,682,610	27,396,118	(713,508)
<b>Liabilities</b>			
Current liabilities	11,055,704	11,727,622	(671,918)
Long-term liabilities	167,480,163	168,408,776	(928,613)
<b>Total liabilities</b>	178,535,867	180,136,398	(1,600,531)
<b>Total Deferred inflows of resources</b>	8,588,634	11,062,203	(2,473,569)
<b>Net position</b>			
Net investment in capital assets	44,605,500	42,031,250	2,574,250
Restricted	25,177,995	27,062,648	(1,884,653)
Unrestricted	(68,241,501)	(69,983,798)	1,742,297
<b>Total net position</b>	\$ 1,541,994	\$ (889,900)	\$ 2,431,894

\* As restated

**Changes in net position, governmental activities.** The District's total revenues increased 2.1% to \$101.5 million (See Table A-2). The increase is due primarily to state funding and grants.

The total cost of all programs and services increased 13.3% to \$99.0 million. The District's expenses are predominantly related to educating and caring for students, 70.8%. The purely administrative activities of the District accounted for just 8.2% of total costs. Significant contributions to the increase in costs were increased expenditures in state grants, increased salaries and benefits, and increased pension expenses.

**Table A-2: Statement of Activities**

	Governmental Activities		
	2024	2023	Net Change
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 3,390,552	\$ 2,161,521	\$ 1,229,031
Operating grants and contributions	22,783,312	28,117,147	(5,333,835)
General Revenues:			
Property taxes	25,717,117	25,468,315	248,802
Federal and state aid not restricted	47,351,243	44,117,076	3,234,167
Other general revenues	2,216,153	(491,511)	2,707,664
<b>Total Revenues</b>	101,458,377	99,372,548	2,085,829
<b>Expenses</b>			
Instruction-related	59,984,824	51,693,648	8,291,176
Pupil services	10,106,880	9,472,556	634,324
Administration	8,095,324	6,758,256	1,337,068
Plant services	8,448,239	7,740,992	707,247
All other activities	12,391,216	11,771,757	619,459
<b>Total Expenses</b>	99,026,483	87,437,209	11,589,274
Increase (decrease) in net position	\$ 2,431,894	\$ 11,935,339	\$ (9,503,445)
<b>Total Net Position</b>	\$ 1,541,994	\$ (889,900)	

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S 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 \$39.4 million, which is below last year's ending fund balance of \$40.3 million. The primary cause of the decreased fund balance is due to spending in the Building Fund.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				
	July 1, 2023	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2024
General Fund	\$ 21,448,758	\$ 90,227,708	\$ 90,244,858	\$ 88,212	\$ 21,519,820
Student Activities Fund	270,809	616,176	626,274	-	260,711
Child Development Fund	26,379	1,372	-	-	27,751
Cafeteria Fund	1,746,608	4,108,116	3,210,067	-	2,644,657
Deferred Maintenance Fund	369,527	22,590	117,881	-	274,236
Special Reserve Fund					
(Postemployment Benefits)	9,850	21,194	-	2,767	33,811
Building Fund	7,035,225	420,849	3,527,994	-	3,928,080
Capital Facilities Fund	2,169,295	1,432,762	240,996	-	3,361,061
Bond Interest and Redemption Fund	6,710,836	7,841,864	7,751,647	-	6,801,053
Self-Insurance Fund	561,432	31,240	-	(90,979)	501,693
Totals	\$ 40,348,719	\$ 104,723,871	\$ 105,719,717	\$ -	\$ 39,352,873

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – decreased by \$0.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$2.5 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$3.7 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$5.3 million, the actual results for the year show that expenditures exceeded revenues by \$17,150. Actual revenues were \$3.3 million more than anticipated, and expenditures were \$2.1 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2024, that will be carried over into the 2024-25 budget.



**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2023-24 the District had acquired \$3.8 million in new capital assets, related to land, construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$2.9 million and amortization was \$0.1 million.

**Table A-4: Capital Assets at Year End, Net of Depreciation**

	Governmental Activities		
	2024	2023*	Net Change
Land	\$ 19,625,155	\$ 19,625,155	\$ -
Improvement of sites	2,500,603	2,773,850	(273,247)
Buildings and improvements	85,196,993	87,401,194	(2,204,201)
Equipment	1,071,415	1,137,269	(65,854)
Construction in progress	3,974,316	626,793	3,347,523
Lease assets	222,369	357,810	(135,441)
Totals	<u>\$ 112,590,851</u>	<u>\$ 111,922,071</u>	<u>\$ 668,780</u>

\* As restated

**Long-Term Debt**

At year-end the District had \$167.5 million in long-term liabilities – a decrease of 0.6% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 6-8 to the financial statements).

**Table A-5: Outstanding Long-Term Debt at Year-End**

	Governmental Activities		
	2024	2023	Net Change
General obligation bonds	\$ 98,929,347	\$ 102,451,595	\$ (3,522,248)
Lease liabilities	162,346	366,690	(204,344)
Supplemental early retirement plan	364,031	485,375	(121,344)
Compensated absences	1,031,088	834,440	196,648
Other postemployment benefits	10,176,125	9,576,430	599,695
Net pension liability	56,817,226	54,694,246	2,122,980
Totals	<u>\$ 167,480,163</u>	<u>\$ 168,408,776</u>	<u>\$ (928,613)</u>

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

***State Budget***

The Legislature passed an initial budget on June 15, 2024. The main structural difference between the legislative package and the May Revision was that the legislative package started the proposed limitation on NOLs and tax credits one year earlier—resulting in roughly \$5 billion in additional revenue. The Legislature's budget used that additional budget capacity to reject some of the Governor's spending solutions and/or provide other augmentations. The legislative package also included a large number of other smaller changes across a variety of programs. The legislative package used slightly more (nearly \$1 billion) in general purpose reserves than the May Revision.

**K-14 Education**

***Funds Modest COLA and a Few Smaller Augmentations***

For 2024-25, the budget provides \$1 billion to cover a 1.07 percent COLA for existing school and community college programs. For schools, the budget also provides an increase of \$300 million (\$179 million ongoing and \$121 million one time) to cover cost increases related to universal school meals. A small portion of the budget's remaining funds are allocated to cover enrollment- and caseload-driven increases in a few specific areas.

***Implements Small Payment Deferral***

The budget reduces spending in 2024-25 by deferring \$487 million in payments to 2025-26. Of this deferral, half applies to schools and half applies to community colleges. The state will implement the deferral by delaying a portion of the payment districts ordinarily would receive in June 2025 to July 2025. The law allows school districts to be exempt from this deferral (meaning they would receive all of their funding on time) if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in 2024-25 to the minimum level required by Proposition 98.

***Suspends Proposition 98 Requirement and Reduces Spending***

For 2023-24, the budget invokes a provision allowing the state to suspend the minimum Proposition 98 requirement and reduce spending on schools and community colleges by \$8.3 billion relative to the level otherwise required that year. Separate from this action, the budget makes a \$2.6 billion reduction attributable to 2022-23. Both of these reductions lower the Proposition 98 requirement on an ongoing basis. The combined effect of these reductions is to reduce General Fund spending by \$12.7 billion over the 2022-23 through 2024-25 period. As required by the State Constitution, the budget also withdraws the entire balance from the Proposition 98 Reserve (\$8.4 billion) in 2023-24 to supplement the funding provided to schools and community colleges. In 2024-25, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly \$1.1 billion.

***Bond Funds***

The state is seeking approval of two bond measures on the November 2024 ballot: Proposition 2 and Proposition 4. Proposition 2 would allow the state to borrow \$10 billion to build new facilities and renovate existing facilities at school districts and community colleges. The cost to repay this bond would be about \$500 million each year for 35 years. Proposition 4 would allow the state to borrow \$10 billion to pay for various natural resources and climate activities. The cost to repay this bond would be about \$400 million each year for 40 years. The cost to repay both bonds would total about \$900 million each year.

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

***Scores Savings Related to Attendance and a Few Other Adjustments***

In response to significant declines in attendance over the past several years, the state adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For 2024-25, the budget assumes savings of \$1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. In addition, the budget obtains \$1.2 billion in savings by (1) deferring some payments from 2024-25 to 2025-26, (2) reducing funding for State Preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the Constitution, the state must dedicate all of these savings to other school and community college purposes.

All of these factors were considered in preparing the San Gabriel Unified School District budget for the 2024-25 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (626) 451-5400.

**SAN GABRIEL UNIFIED SCHOOL DISTRICT***Statement of Net Position**June 30, 2024*

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	Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 44,135,363
Accounts receivable	5,002,329
Prepaid expenses	120,206
Inventories	135,136
Capital assets:	
Non-depreciable capital assets	23,599,471
Depreciable capital assets	141,542,101
Less accumulated depreciation	(52,773,090)
Lease assets	360,599
Less accumulated amortization	(138,230)
Total assets	<u>161,983,885</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	4,423,473
Deferred outflows related to OPEB	2,102,576
Deferred outflows related to pensions	<u>20,156,561</u>
Total deferred outflows of resources	<u>26,682,610</u>
<b>LIABILITIES</b>	
Accounts payable	9,253,383
Accrued interest payable	1,015,543
Unearned revenue	786,778
Noncurrent liabilities:	
Due or payable within one year	6,063,707
Due in more than one year:	
Other than OPEB and pensions	94,423,105
Total OPEB liability	10,176,125
Net pension liability	<u>56,817,226</u>
Total liabilities	<u>178,535,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to OPEB	1,263,871
Deferred inflows related to pensions	<u>7,324,763</u>
Total deferred inflows of resources	<u>8,588,634</u>
<b>NET POSITION</b>	
Net investment in capital assets	44,605,500
Restricted for:	
Capital projects	3,361,061
Debt service	6,801,053
Student activities	260,711
Categorical programs	14,755,170
Unrestricted	<u>(68,241,501)</u>
Total net position	<u>\$ 1,541,994</u>

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 51,096,359	\$ 1,734,630	\$ 13,684,574	\$ (35,677,155)
Instruction-Related Services:				
Supervision of instruction	3,864,647	277,564	1,363,263	(2,223,820)
Instructional library, media and technology	1,131,717	-	(4,882)	(1,136,599)
School site administration	3,892,101	16,684	(80,709)	(3,956,126)
Pupil Support Services:				
Home-to-school transportation	1,193,700	-	600	(1,193,100)
Food services	3,035,128	36,492	3,721,935	723,299
All other pupil services	5,878,052	460,578	1,202,257	(4,215,217)
General Administration Services:				
Data processing services	1,482,137	16,701	13,615	(1,451,821)
Other general administration	6,613,187	39,474	672,620	(5,901,093)
Plant services	8,448,239	339,160	475,625	(7,633,454)
Ancillary services	1,073,174	-	618,517	(454,657)
Interest on long-term debt	4,503,422	-	-	(4,503,422)
Other outgo	3,731,321	469,269	1,115,897	(2,146,155)
Depreciation (unallocated)	2,947,858	-	-	(2,947,858)
Amortization (unallocated)	135,441	-	-	(135,441)
Total Governmental Activities	<u>\$ 99,026,483</u>	<u>\$ 3,390,552</u>	<u>\$ 22,783,312</u>	<u>(72,852,619)</u>
<b>General Revenues:</b>				
Property taxes				25,717,117
Federal and state aid not restricted to specific purpose				47,351,243
Interest and investment earnings				1,932,134
Transfers				(90,979)
Miscellaneous				374,998
Subtotal general revenues				<u>75,284,513</u>
Change in net position				<u>2,431,894</u>
Net position - July 1, 2023, as originally stated				(3,367,059)
Adjustments for restatements (Note 11)				<u>2,477,159</u>
Net position - July 1, 2023, as restated				<u>(889,900)</u>
Net position - June 30, 2024				\$ 1,541,994

**SAN GABRIEL UNIFIED SCHOOL DISTRICT***Balance Sheet – Governmental Funds**June 30, 2024*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 26,268,258	\$ 5,235,871	\$ 6,801,053	\$ 5,830,181	\$ 44,135,363
Accounts receivable	4,295,099	66,528	-	640,702	5,002,329
Stores inventories	30,092	-	-	105,044	135,136
Prepaid expenditures	116,836	3,370	-	-	120,206
Total Assets	<u>\$ 30,710,285</u>	<u>\$ 5,305,769</u>	<u>\$ 6,801,053</u>	<u>\$ 6,575,927</u>	<u>\$ 49,393,034</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 7,593,947	\$ 1,377,689	\$ -	\$ 281,747	\$ 9,253,383
Unearned revenue	786,778	-	-	-	786,778
Total Liabilities	<u>8,380,725</u>	<u>1,377,689</u>	<u>-</u>	<u>281,747</u>	<u>10,040,161</u>
<b>Fund Balances</b>					
Nonspendable	176,928	3,370	-	105,044	285,342
Restricted	12,082,762	3,924,710	6,801,053	6,161,385	28,969,910
Assigned	7,362,524	-	-	27,751	7,390,275
Unassigned	2,707,346	-	-	-	2,707,346
Total Fund Balances	<u>22,329,560</u>	<u>3,928,080</u>	<u>6,801,053</u>	<u>6,294,180</u>	<u>39,352,873</u>
Total Liabilities and Fund Balances	<u>\$ 30,710,285</u>	<u>\$ 5,305,769</u>	<u>\$ 6,801,053</u>	<u>\$ 6,575,927</u>	<u>\$ 49,393,034</u>

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2024

**Total fund balances - governmental funds** \$ 39,352,873

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

Capital assets at historical cost	165,141,572	
Accumulated depreciation	(52,773,090)	
Lease assets at historical cost	360,599	
Accumulated amortization	<u>(138,230)</u>	
Net:		112,590,851

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:

(1,015,543)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow. The remaining deferred amounts on refunding at the end of the period were:

4,423,473

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:

General obligation bonds payable	98,929,347	
Supplemental early retirement plan	364,031	
Leases payable	162,346	
Compensated absences payable	1,031,088	
Other postemployment benefits	10,176,125	
Net pension liability	<u>56,817,226</u>	
Total		(167,480,163)

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported. Deferred outflows and inflows relating to OPEB for the period were:

Deferred outflows of resources	2,102,576	
Deferred inflows of resources	<u>(1,263,871)</u>	
Total		838,705

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 inflows and outflows relating to pensions for the period were:

Deferred outflows of resources	20,156,561	
Deferred inflows of resources	<u>(7,324,763)</u>	
Total		<u>12,831,798</u>

**Total net position - governmental activities** \$ 1,541,994

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2024

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 63,262,941	\$ -	\$ -	\$ -	\$ 63,262,941
Federal sources	6,721,034	-	-	2,228,265	8,949,299
Other state sources	11,301,014	-	36,100	1,794,058	13,131,172
Other local sources	9,017,743	420,849	7,805,764	2,136,103	19,380,459
Total Revenues	90,302,732	420,849	7,841,864	6,158,426	104,723,871
<b>EXPENDITURES</b>					
Current:					
Instruction	53,132,761	-	-	-	53,132,761
Instruction-Related Services:					
Supervision of instruction	4,041,960	-	-	-	4,041,960
Instructional library, media and technology	1,079,694	-	-	-	1,079,694
School site administration	4,046,293	-	-	-	4,046,293
Pupil Support Services:					
Home-to-school transportation	1,193,700	-	-	-	1,193,700
Food services	51,034	-	-	3,117,228	3,168,262
All other pupil services	6,251,751	-	-	-	6,251,751
Ancillary services	447,616	-	-	626,274	1,073,890
General Administration Services:					
Data processing services	1,504,526	-	-	-	1,504,526
Other general administration	6,307,441	-	-	123,707	6,431,148
Transfers of indirect costs	(92,839)	-	-	92,839	-
Plant services	7,984,895	276,128	-	117,289	8,378,312
Capital outlay	453,016	3,251,866	-	-	3,704,882
Intergovernmental transfers	3,731,321	-	-	-	3,731,321
Debt service:					
Principal	204,344	-	4,779,379	-	4,983,723
Interest	25,226	-	2,972,268	-	2,997,494
Total Expenditures	90,362,739	3,527,994	7,751,647	4,077,337	105,719,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,007)	(3,107,145)	90,217	2,081,089	(995,846)
Fund Balances, July 1, 2023	22,389,567	7,035,225	6,710,836	4,213,091	40,348,719
Fund Balances, June 30, 2024	\$ 22,329,560	\$ 3,928,080	\$ 6,801,053	\$ 6,294,180	\$ 39,352,873



# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2024*

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**Total net change in fund balances - governmental funds** \$ (995,846)

Amounts reported for governmental *activities* in the statement of activities are different because:

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

Expenditures for capital outlay	3,752,079	
Depreciation expense	(2,947,858)	
Amortization expense	<u>(135,441)</u>	
Total		668,780

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 a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

4,983,723

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The difference between current year amounts and the current year amortization was:

(319,083)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was:

(1,605,106)

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 premiums or discount for the period was:

347,975

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 that 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:

70,286

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(196,648)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, including early retirement incentives. This year, expenses incurred for such obligations were:

121,344

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

343,868

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

(987,399)

**Change in net position of governmental activities**

\$ 2,431,894

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Gabriel Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### A. Reporting Entity

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 of the District.

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 identified no organizations that are required to be reported as component units.

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. 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 revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues 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. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### Fund Financial Statements

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

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Major Governmental Funds

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund and a Special Reserve Fund for Postemployment Benefits. These funds do not meet the definition of special revenue funds as they are not primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund. In addition, the Self-Insurance Fund is not operated like a proprietary fund, so it is reported within the General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code* Sections 15125-15262).

###### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

**Special Revenue Funds:** Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Student Activity Fund:** The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 and 38093).

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

**Capital Facilities Fund:** This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.).

# **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

## *Notes to Financial Statements*

*June 30, 2024*

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

#### **B. Basis of Presentation, Basis of Accounting (continued)**

##### **2. Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### **3. Revenues - Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California 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 districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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

#### C. Budgetary Data

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

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

#### D. Encumbrances

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

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

##### 1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

##### 2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

##### 3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings	20-50 years
Improvements/Infrastructure	5-50 years
Equipment	5-20 years

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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

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

##### 4. 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 combined 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.

##### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position 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 Statement of Net Position 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 will not be recognized as an inflow of resources (revenue) until that time.

##### 6. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

##### 7. Leases

###### Lessee:

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

# **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

## *Notes to Financial Statements*

*June 30, 2024*

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

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

##### **7. Leases (continued)**

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

If material, lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

##### Lessor:

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

##### **8. Subscription-Based Information Technology Arrangements**

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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

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

##### 8. Subscription-Based Information Technology Arrangements (continued)

If material, the District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

##### 9. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program 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, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

##### 10. Pensions

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

##### 11. Fund Balances

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.



# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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

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

##### 11. Fund Balances (continued)

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

##### 12. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

#### F. Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is three percent of budgeted General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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

#### G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

#### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### I. Change in Accounting Principle

For the fiscal year ended June 30, 2024, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net positions, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

### NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Governmental funds and activities	<u>\$ 44,135,363</u>
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Deposits and investments as of June 30, 2024 consist of the following:

Cash on hand and in banks	\$ 276,389
Cash in revolving fund	30,000
Investments	<u>43,828,974</u>
Total deposits and investments	<u>\$ 44,135,363</u>

#### Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Los Angeles County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Los Angeles 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 Los Angeles County Treasurer, which is recorded on the amortized basis.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2024, \$1,666,507 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District’s investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2024, consist of the following:

		Maturity			
	Rating	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:					
Los Angeles County Investment Pool	N/A	\$ 43,828,974	\$ 43,828,974	\$ -	Uncategorized

The District holds no investments outside the Los Angeles County Treasury.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, 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 in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

##### Fair Value Measurements (continued)

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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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 date if reasonably 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 Los Angeles 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.

All assets have been valued using a market approach, with quoted market prices.

#### NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Activities			
	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:				
Categorical aid programs	\$ 3,208,797	\$ -	\$ 333,686	\$ 3,542,483
State Government:				
Lottery	285,633	-	-	285,633
Categorical aid programs	133,810	-	247,347	381,157
Local:				
Interest	242,707	66,528	47,963	357,198
Special Education Local	137,565	-	-	137,565
Other local	286,587	-	11,706	298,293
Total	<u>\$ 4,295,099</u>	<u>\$ 66,528</u>	<u>\$ 640,702</u>	<u>\$ 5,002,329</u>

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
June 30, 2024

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**NOTE 4 – FUND BALANCES**

At June 30, 2024, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Stores inventories	30,092	-	-	105,044	135,136
Prepaid expenditures	116,836	3,370	-	-	120,206
Total Nonspendable	176,928	3,370	-	105,044	285,342
Restricted:					
Categorical programs	12,082,762	-	-	-	12,082,762
Student body funds	-	-	-	260,711	260,711
Child nutrition program	-	-	-	2,539,613	2,539,613
Capital projects	-	3,924,710	-	3,361,061	7,285,771
Debt service	-	-	6,801,053	-	6,801,053
Total Restricted	12,082,762	3,924,710	6,801,053	6,161,385	28,969,910
Assigned:					
Staffing reserve for declining enrollment	6,316,622	-	-	-	6,316,622
Donation account balances	236,162	-	-	-	236,162
Deferred maintenance program	274,236	-	-	-	274,236
Other postemployment benefits	33,811	-	-	-	33,811
Self-insurance program	501,693	-	-	-	501,693
Child development programs	-	-	-	27,751	27,751
Total Assigned	7,362,524	-	-	27,751	7,390,275
Unassigned:					
Reserve for economic uncertainties	2,707,346	-	-	-	2,707,346
Total Unassigned	2,707,346	-	-	-	2,707,346
Total	\$ 22,329,560	\$ 3,928,080	\$ 6,801,053	\$ 6,294,180	\$ 39,352,873

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2023	Restatements	Additions	Deletions	Balance, June 30, 2024
Capital assets not being depreciated:					
Land	\$ 19,625,155	\$ -	\$ -	\$ -	\$ 19,625,155
Construction in progress	-	626,793	3,347,523	-	3,974,316
Total capital assets not being depreciated	19,625,155	626,793	3,347,523	-	23,599,471
Capital assets being depreciated					
Site improvements	6,969,596	762,445	-	-	7,732,041
Buildings and improvements	126,607,988	2,406,412	333,512	-	129,347,912
Furniture and equipment	4,863,025	(471,921)	71,044	-	4,462,148
Total capital assets being depreciated	138,440,609	2,696,936	404,556	-	141,542,101
Less accumulated depreciation:					
Site improvements	(4,878,674)	(79,517)	(273,247)	-	(5,231,438)
Buildings and improvements	(40,202,873)	(1,410,333)	(2,537,713)	-	(44,150,919)
Furniture and equipment	(3,897,115)	643,280	(136,898)	-	(3,390,733)
Total accumulated depreciation	(48,978,662)	(846,570)	(2,947,858)	-	(52,773,090)
Total capital assets being depreciated, net	89,461,947	1,850,366	(2,543,302)	-	88,769,011
Leased assets:					
Building lease	126,642	-	-	126,642	-
Equipment lease	360,599	-	-	-	360,599
Accumulated amortization for:					
Building lease	(63,321)	-	(63,321)	(126,642)	-
Equipment lease	(66,110)	-	(72,120)	-	(138,230)
Total lease assets, net	357,810	-	(135,441)	-	222,369
Total capital assets, net	\$ 109,444,912	\$ 2,477,159	\$ 668,780	\$ -	\$ 112,590,851

### NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term liabilities other than OPEB or pensions for the fiscal year ended June 30, 2024, were as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 77,485,495	\$ -	\$ 4,779,379	\$ 72,706,116	\$ 4,915,458
Accreted interest component	21,149,683	2,147,039	541,933	22,754,789	604,542
Unamortized issuance premium	3,816,417	-	347,975	3,468,442	346,751
Total - Bonds	102,451,595	2,147,039	5,669,287	98,929,347	5,866,751
Lease Liabilities	366,690	-	204,344	162,346	75,612
Supplemental Early Retirement Plan	485,375	-	121,344	364,031	121,344
Compensated Absences	834,440	196,648	-	1,031,088	-
Totals	\$ 104,138,100	\$ 2,343,687	\$ 5,994,975	\$ 100,486,812	\$ 6,063,707

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. The compensated absences will be paid by the fund for which the employee worked. The lease liabilities and supplemental early retirement plan will be paid from the General Fund.

## **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2024*

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#### **NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)**

##### **A. General Obligation Bonds**

###### **Election of 2002 (Measure S)**

On March 5, 2002, the voters of the District approved, by more than a 55% majority, Measure “S”, authorizing the District to issue up to \$46,045,000 in bonds with revenue going to renovate, construct and modernize classrooms and school facilities.

###### **Election of 2008 (Measure A)**

On February 5, 2008, the voters of the District approved, by more than a 55% majority, Measure “A”, authorizing the District to issue up to \$65,075,000 in bonds with revenue going to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities.

###### **Defeasance of Debt**

The District has defeased certain general obligation bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, any trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. At June 30, 2024, there was no principal balance outstanding on the defeased debt.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2024, deferred outflows on refunding were \$4,423,473.

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

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

#### A. General Obligation Bonds (continued)

A summary of all bonds issued and outstanding at June 30, 2024 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
<b>Measure S (2002)</b>								
Series A	6/25/2002	2/1/2027	3.0% - 5.375%	\$ 28,432,600	\$ 1,112,600	\$ -	\$ -	\$ 1,112,600
Series B	12/2/2004	8/1/2029	2.5% - 4.625%	6,778,892	2,308,892	-	-	2,308,892
Series C	7/10/2007	8/1/2032	3.75% - 4.75%	10,832,878	4,982,878	-	-	4,982,878
				Subtotal Measure S	8,404,370	-	-	8,404,370
<b>Measure A (2008)</b>								
Series B	5/8/2012	8/1/2037	2.0% - 5.97%	16,003,464	9,516,569	-	634,823	8,881,746
Series C	12/19/2013	8/1/2023	4.75%-5.35%	22,997,960	64,556	-	64,556	-
Series D	5/5/2022	8/1/2041	4.00%	5,525,000	5,525,000	-	400,000	5,125,000
				Subtotal Measure A	15,106,125	-	1,099,379	14,006,746
<b>Refunding Bonds</b>								
2012 Ref. B	5/8/2012	8/1/2025	2.0% - 3.25%	2,840,000	915,000	-	285,000	630,000
2015 Ref. A	10/22/2015	8/1/2033	2.0% - 5.0%	33,400,000	21,825,000	-	905,000	20,920,000
2022 Ref. A	5/5/2022	8/1/2039	4.00%	12,945,000	12,765,000	-	2,490,000	10,275,000
2022 Ref. B	5/5/2022	8/1/2041	2.362%-4.700%	18,520,000	18,470,000	-	-	18,470,000
				Subtotal Refunding Bonds	53,975,000	-	3,680,000	50,295,000
				Totals	\$ 77,485,495	\$ -	\$ 4,779,379	\$ 72,706,116
<b>Accreted Interest:</b>								
				2002A	\$ 3,126,563	\$ 284,398	\$ -	\$ 3,410,961
				2002B	4,471,412	414,294	-	4,885,706
				2002C	6,351,171	611,446	-	6,962,617
				2008B	7,008,781	836,901	350,177	7,495,505
				2008C	191,756	-	191,756	-
				Totals	\$ 21,149,683	\$ 2,147,039	\$ 541,933	\$ 22,754,789

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

Fiscal Year	Principal	Interest	Totals
2024-2025	\$ 4,915,458	\$ 2,954,618	\$ 7,870,076
2025-2026	5,409,506	2,825,186	8,234,692
2026-2027	3,162,826	5,531,752	8,694,578
2027-2028	3,584,229	5,462,761	9,046,990
2028-2029	3,797,001	5,616,089	9,413,090
2029-2034	23,033,517	24,621,789	47,655,306
2034-2039	15,008,579	16,063,664	31,072,243
2039-2042	13,795,000	729,651	14,524,651
Totals	\$ 72,706,116	\$ 63,805,509	\$ 136,511,625



## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

##### B. Leases

The District has entered into lease agreements for copier equipment and portable classrooms. The initial terms for these leases are 60 months and 2 years. There are no variable payments included in the measurement of the lease liability, no variable payments included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. Other key assumptions and policies can be found in Note 1.E.7. The related asset disclosures are presented in Note 5.

Annual future payments on leases are as follows:

Fiscal Year	Principal	Interest	Totals
2024-2025	\$ 75,612	\$ 6,665	\$ 82,277
2025-2026	79,878	2,400	82,278
2026-2027	6,856	-	6,856
Totals	<u>\$ 162,346</u>	<u>\$ 9,065</u>	<u>\$ 171,411</u>

##### C. Supplemental Early Retirement Plan

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2024, for these obligations are shown below.

Fiscal Year	Payment
2024-2025	\$ 121,344
2025-2026	121,344
2026-2027	121,343
Total	<u>\$ 364,031</u>

#### NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2024, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 9,957,729	\$ 2,102,576	\$ 1,263,871	\$ 1,072,769
MPP Program	218,396	-	-	(25,830)
Totals	<u>\$ 10,176,125</u>	<u>\$ 2,102,576</u>	<u>\$ 1,263,871</u>	<u>\$ 1,046,939</u>

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

The details of each plan are as follows:

##### District Plan

###### **Plan Description**

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

###### **Benefits Provided**

Following is a description of the current retiree benefit plan.

	<i><b>Classified Employees</b></i>	<i><b>Confidential &amp; Cabinet Employees</b></i>	<i><b>Certificated Employees</b></i>
Benefit Types Provided	Medical, Dental, & Vision	Medical, Dental, & Vision	Medical, Dental, & Vision
Duration of Benefits	To age 65	To age 65	Earlier of 1) Age 65 and 2) 1 benefit year for every 5 years of service
Required Service	10 years	10 years	20 years
Minimum Age	60	55	60
Dependent Coverage	Yes	Yes	Yes
Distribution Contribution %	100% up to cap	100% up to cap	100% up to cap
District Cap	Retiree-only medical premium based on the median medical plan	Retiree-only medical premium based on the median medical plan	Lowest cost retiree-only medical premium

###### **Employees Covered by Benefit Terms**

At the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	474
Total	479

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### District Plan(continued)

##### **Total OPEB Liability**

The District's total OPEB liability of \$9,957,729 for the Plan was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

##### **Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2023
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

##### **Discount Rate**

The interest assumption reflects a municipal bond rate using the Bond Buyer 20 Index at June 30, 2024 resulting in a rate of 3.93%. The interest rate used in the prior valuation was 3.65%.

##### **Mortality Rates**

Mortality rates are based on the 2020 CalSTRS and the 2021 CalPERS for Miscellaneous and Schools Employees mortality tables.

##### **Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2023</b>	<u>\$ 9,332,204</u>
<b>Changes for the year:</b>	
Service cost	573,644
Interest	350,008
Changes of assumptions	(238,587)
Benefit payments	<u>(59,540)</u>
Net changes	<u>625,525</u>
<b>Balance at June 30, 2024</b>	<u><u>\$ 9,957,729</u></u>

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### District Plan (continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease	\$ 10,779,921
Current discount rate	\$ 9,957,729
1% increase	\$ 9,220,257

###### ***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 8,738,077
Current trend rate	\$ 9,957,729
1% increase	\$ 11,375,667

###### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2024, the District recognized OPEB expense of \$1,072,769. In addition, at June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,068,608	\$ -
Changes of assumptions	1,033,968	1,263,871
Totals	<u>\$ 2,102,576</u>	<u>\$ 1,263,871</u>

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### District Plan (continued)

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 270,922	\$ 121,805
2026	270,922	121,805
2027	270,922	121,805
2028	270,919	121,805
2029	265,303	121,805
Thereafter	753,588	654,846
Totals	\$ 2,102,576	\$ 1,263,871

##### Medicare Premium Payment (MPP) Program

###### **Plan Description**

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

###### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2022, 4,457 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with *Education Code* Section 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### Medicare Premium Payment (MPP) Program (continued)

###### **Total OPEB Liability**

At June 30, 2024, the District reported a liability of \$218,396 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2024</u>	<u>Fiscal Year Ending June 30, 2023</u>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Proportion of the Net OPEB Liability	0.071974%	0.074140%	(0.002166%)

For the year ended June 30, 2024, the District reported OPEB expense of \$(25,830).

###### **Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population of 138,780.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### Medicare Premium Payment (MPP) Program (continued)

###### *Actuarial Assumptions and Other Inputs (continued)*

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

###### *Discount Rate*

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of .011% from 3.54% as of June 30, 2022.

###### *Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Discount Rate	MPP OPEB Liability
	1% decrease	\$ 237,352
	Current discount rate	\$ 218,396
	1% increase	\$ 201,914

###### *Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	Medicare Cost Trend Rates	MPP OPEB Liability
	1% decrease	\$ 200,946
	Current trend rate	\$ 218,396
	1% increase	\$ 238,097

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension 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).

For the fiscal year ended June 30, 2024, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 37,059,779	\$ 11,079,016	\$ 2,535,485	\$ 5,354,368
CalPERS	19,757,447	9,077,545	4,789,278	2,948,623
Totals	<u>\$ 56,817,226</u>	<u>\$ 20,156,561</u>	<u>\$ 7,324,763</u>	<u>\$ 8,302,991</u>

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

##### Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

##### Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.



## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

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

###### Benefits Provided (continued)

The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 60	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	60	62
Retirement Age	2.0%-2.4%	2.0%-2.4%
Monthly Benefits as a Percentage of Eligible Compensation	10.25%	10.205%
Required Member Contribution Rate	19.10%	19.10%
Required Employer Contribution Rate	10.828%	10.828%
Required State Contribution Rate		

###### Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2024, are presented above, and the District's total contributions were \$6,080,719.

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	37,059,779
State's proportionate share of the net pension liability associated with the District		17,756,382
Total	\$	54,816,161

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 8 – 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)**

The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2024	June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.048660%	0.049401%	(0.000741%)

For the year ended June 30, 2024, the District recognized pension expense of \$5,354,368. In addition, the District recognized pension expense and revenue of (\$257,859) for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 6,080,719	\$ -
Net change in proportionate share of net pension liability	1,712,788	552,599
Difference between projected and actual earnings on pension plan investments	158,631	-
Changes of assumptions	214,590	-
Differences between expected and actual experience	2,912,288	1,982,886
Totals	\$ 11,079,016	\$ 2,535,485

The 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 8 – 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)**

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 301,566	\$ 744,365
2026	301,566	1,396,406
2027	3,374,431	78,943
2028	278,814	78,943
2029	364,455	78,943
Thereafter	377,465	157,885
Totals	\$ 4,998,297	\$ 2,535,485

###### **Actuarial Methods and Assumptions**

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs to the process.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 8 – PENSION PLANS (continued)

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

###### Actuarial Methods and Assumptions (continued)

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	38.0%	5.25%
Real Estate	15.0%	4.05%
Private Equity	14.0%	6.75%
Fixed Income	14.0%	2.45%
Risk Mitigating Strategies	10.0%	2.25%
Inflation Sensitive	7.0%	3.65%
Cash/Liquidity	2.0%	0.05%

###### Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 62,164,822
Current discount rate (7.10%)	\$ 37,059,779
1% increase (8.10%)	\$ 16,207,115

###### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$2,840,161.

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 8 – PENSION PLANS (continued)

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

##### Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

##### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	26.68%	26.68%

##### Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024 are presented above, and the total District contributions were \$2,826,996.

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 8 – 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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$19,757,447. The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.054580%	0.059193%	(0.004613%)

For the year ended June 30, 2024, the District recognized pension expense of \$2,948,623. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 2,823,996	\$ -
Net change in proportionate share of net pension liability	142,756	2,116,640
Difference between projected and actual earnings on pension plan investments	4,479,570	2,369,192
Changes of assumptions	910,218	-
Differences between expected and actual experience	721,005	303,446
Totals	\$ 9,077,545	\$ 4,789,278

The 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 8 – 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)**

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 2,393,034	\$ 2,088,617
2026	2,172,743	1,893,756
2027	1,622,095	530,132
2028	65,677	276,773
2029	-	-
Thereafter	-	-
Totals	\$ 6,253,549	\$ 4,789,278

###### **Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 8 – PENSION PLANS (continued)

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

###### Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

###### Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 28,564,161
Current discount rate (6.9%)	\$ 19,757,447
1% increase (7.9%)	\$ 12,478,898

##### C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

##### D. Payables to the Pension Plans

At June 30, 2024, the District reported payables of \$1,182,869 and \$167,116 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.



## **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2024*

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#### **NOTE 9 – JOINT VENTURES**

The District participates in three joint powers agreement (JPA) entities, the West San Gabriel Workers Compensation (WSGWC), the West San Gabriel Liability and Property (WSGLP), and the Self-Insured Schools of California III (SISC III) JPAs.

##### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2024, the District participated in the WSGLP public entity risk pool for property and liability insurance coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

##### **Workers' Compensation**

For fiscal year 2023-24, the District participated in the WSGWC public entity risk pool for workers' compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

##### **Employee Medical Benefits**

The District participates in the SISC III JPA to provide employees with medical and dental benefits.

The District pays a premium commensurate to its participation in the JPAs.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the San Gabriel Unified School District beyond the District's representation on the governing boards.

The condensed audited financial information can be obtained directly from Self-Insured Schools of California and West San Gabriel Joint Powers Authority.

#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

##### **A. State and Federal Allowances, Awards, and Grants**

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

##### **B. Construction Commitments**

As of June 30, 2024, the District had commitments with respect to unfinished capital projects of \$2,893,053.

##### **C. Litigation**

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2024*

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#### **NOTE 11 – ADJUSTMENT FOR RESTATEMENT**

The beginning net position on the Statement of Activities has been restated by \$2,477,159 to adjust beginning balances of capital assets and depreciation as the result of the District reconciling its capital asset records.

	Statement of Activities
Restatement to capital assets not being depreciated at June 30, 2023	\$ 626,793
Restatement to capital assets being depreciated at June 30, 2023	2,696,936
Restatement to accumulated depreciation at June 30, 2023	<u>(846,570)</u>
Total adjustments for restatements	<u><u>\$ 2,477,159</u></u>

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*Required Supplementary Information*

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**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2024*

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
<b>Revenues</b>				
LCFF Sources	\$ 62,535,804	\$ 63,262,630	\$ 63,262,941	\$ 311
Federal	7,280,027	7,632,748	6,721,034	(911,714)
Other State	11,817,165	10,551,713	11,301,014	749,301
Other Local	5,433,849	5,517,047	8,942,719	3,425,672
Total Revenues	87,066,845	86,964,138	90,227,708	3,263,570
<b>Expenditures</b>				
Current:				
Certificated Salaries	31,249,140	32,403,212	32,332,522	70,690
Classified Salaries	10,418,175	10,862,665	10,870,283	(7,618)
Employee Benefits	22,538,811	23,426,880	23,134,616	292,264
Books and Supplies	3,423,832	4,798,901	2,663,020	2,135,881
Services and Other Operating Expenditures	15,662,779	18,855,905	16,994,034	1,861,871
Transfers of indirect costs	(87,975)	(94,657)	(92,839)	(1,818)
Capital Outlay	355,000	527,550	382,332	145,218
Other Outgo	2,556,727	1,526,397	3,960,890	(2,434,493)
Total Expenditures	86,116,489	92,306,853	90,244,858	2,061,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	950,356	(5,342,715)	(17,150)	5,325,565
<b>Other Financing Sources and Uses</b>				
Interfund Transfers In	29,531	59,801	88,212	28,411
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	979,887	(5,282,914)	71,062	5,353,976
Fund Balance, July 1, 2023	20,151,576	21,448,758	21,448,758	-
Fund Balance, June 30, 2024	<u>\$ 21,131,463</u>	<u>\$ 16,165,844</u>	21,519,820	<u>\$ 5,353,976</u>
<b>Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>				
		Deferred Maintenance Fund	274,236	
		Special Reserve Fund for Postemployment Benefits	33,811	
		Self-Insurance Fund	501,693	
<b>Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<u>\$ 22,329,560</u>	

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*  
*For the Fiscal Year Ended June 30, 2024*

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<i>Last Ten Fiscal Years</i>					
<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
<b>Measurement Period</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
District's proportion of the net pension liability	0.0487%	0.0494%	0.0487%	0.0480%	0.0480%
District's proportionate share of the net pension liability	\$ 37,059,779	\$ 34,326,518	\$ 22,149,234	\$ 46,516,320	\$ 43,351,680
State's proportionate share of the net pension liability associated with the District	17,756,382	17,190,586	11,144,636	23,978,974	23,651,427
Totals	\$ 54,816,161	\$ 51,517,104	\$ 33,293,870	\$ 70,495,294	\$ 67,003,107
District's covered-employee payroll	\$ 30,558,229	\$ 28,898,771	\$ 26,073,000	\$ 26,250,000	\$ 26,000,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.28%	118.78%	84.95%	177.21%	166.74%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Measurement Period</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
District's proportion of the net pension liability	0.0460%	0.0460%	0.0460%	0.0470%	0.0430%
District's proportionate share of the net pension liability	\$ 42,277,220	\$ 42,540,800	\$ 37,205,260	\$ 31,642,280	\$ 25,127,910
State's proportionate share of the net pension liability associated with the District	24,205,804	25,166,983	21,183,409	16,735,233	15,173,469
Totals	\$ 66,483,024	\$ 67,707,783	\$ 58,388,669	\$ 48,377,513	\$ 40,301,379
District's covered-employee payroll	\$ 25,100,000	\$ 24,500,000	\$ 23,700,000	\$ 21,200,000	\$ 19,500,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.44%	173.64%	156.98%	149.26%	128.86%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalPERS*  
*For the Fiscal Year Ended June 30, 2024*

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<i>Last Ten Fiscal Years</i>					
<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
<b>Measurement Period</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
District's proportion of the net pension liability	0.0546%	0.0592%	0.0621%	0.0611%	0.0641%
District's proportionate share of the net pension liability	\$ 19,757,447	\$ 20,367,728	\$ 12,624,954	\$ 18,747,359	\$ 18,681,465
District's covered-employee payroll	\$ 9,665,861	\$ 9,083,588	\$ 8,959,000	\$ 8,807,000	\$ 8,900,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	204.40%	224.23%	140.92%	212.87%	209.90%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Measurement Period</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
District's proportion of the net pension liability	0.0630%	0.0625%	0.0616%	0.0595%	0.0566%
District's proportionate share of the net pension liability	\$ 16,797,783	\$ 14,920,400	\$ 12,166,038	\$ 8,770,359	\$ 6,425,478
District's covered-employee payroll	\$ 8,300,000	\$ 8,000,000	\$ 7,500,000	\$ 6,600,000	\$ 6,400,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.38%	186.51%	162.21%	132.88%	100.40%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalSTRS*  
*For the Fiscal Year Ended June 30, 2024*

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	<i>Last Ten Fiscal Years</i>				
<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
Contractually required contribution	\$ 6,080,719	\$ 5,836,622	\$ 4,889,672	\$ 4,210,807	\$ 4,489,483
Contributions in relation to the contractually required contribution	6,080,719	5,836,622	4,889,672	4,210,807	4,489,483
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 31,836,227</u>	<u>\$ 30,558,229</u>	<u>\$ 28,898,771</u>	<u>\$ 26,073,000</u>	<u>\$ 26,250,000</u>
Contributions as a percentage of covered-employee payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>
<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Contractually required contribution	\$ 4,230,782	\$ 3,625,741	\$ 3,077,134	\$ 2,538,225	\$ 1,880,585
Contributions in relation to the contractually required contribution	4,230,782	3,625,741	3,077,134	2,538,225	1,880,585
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 26,000,000</u>	<u>\$ 25,100,000</u>	<u>\$ 24,500,000</u>	<u>\$ 23,700,000</u>	<u>\$ 21,200,000</u>
Contributions as a percentage of covered-employee payroll	<u>16.27%</u>	<u>14.45%</u>	<u>12.56%</u>	<u>10.71%</u>	<u>8.87%</u>



**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalPERS*  
*For the Fiscal Year Ended June 30, 2024*

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	<i>Last Ten Fiscal Years</i>				
	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
Contractually required contribution	\$ 2,823,996	\$ 2,452,229	\$ 2,081,050	\$ 1,854,414	\$ 1,736,709
Contributions in relation to the contractually required contribution	<u>2,823,996</u>	<u>2,452,229</u>	<u>2,081,050</u>	<u>1,854,414</u>	<u>1,736,709</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 10,584,693</u>	<u>\$ 9,665,861</u>	<u>\$ 9,083,588</u>	<u>\$ 8,959,000</u>	<u>\$ 8,807,000</u>
Contributions as a percentage of covered-employee payroll	<u>26.68%</u>	<u>25.37%</u>	<u>22.91%</u>	<u>20.70%</u>	<u>19.72%</u>
	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Contractually required contribution	\$ 1,607,714	\$ 1,294,391	\$ 1,107,365	\$ 886,252	\$ 775,428
Contributions in relation to the contractually required contribution	<u>1,607,714</u>	<u>1,294,391</u>	<u>1,107,365</u>	<u>886,252</u>	<u>775,428</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 8,900,000</u>	<u>\$ 8,300,000</u>	<u>\$ 8,000,000</u>	<u>\$ 7,500,000</u>	<u>\$ 6,600,000</u>
Contributions as a percentage of covered-employee payroll	<u>18.06%</u>	<u>15.60%</u>	<u>13.84%</u>	<u>11.82%</u>	<u>11.75%</u>

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years\*

Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
<b>Total OPEB liability</b>							
Service cost	\$ 573,644	\$ 566,626	\$ 700,063	\$ 439,152	\$ 426,361	\$ 212,371	\$ 206,185
Interest	350,008	314,629	201,537	152,708	149,104	133,901	128,741
Changes of benefit terms	-	-	-	-	1,398,545	-	-
Differences between expected and actual experience	-	148,678	-	731,494	800,689	27,003	-
Changes in assumptions	(238,587)	(216,421)	(1,118,790)	1,105,845	465,857	29,217	-
Benefit payments	(59,540)	(171,642)	(145,718)	(195,271)	(214,519)	(205,634)	(216,895)
<b>Net change in total OPEB liability</b>	<b>625,525</b>	<b>641,870</b>	<b>(362,908)</b>	<b>2,233,928</b>	<b>3,026,037</b>	<b>196,858</b>	<b>118,031</b>
<b>Total OPEB liability - beginning</b>	<b>9,332,204</b>	<b>8,690,334</b>	<b>9,053,242</b>	<b>6,819,314</b>	<b>3,793,277</b>	<b>3,596,419</b>	<b>3,478,388</b>
<b>Total OPEB liability - ending</b>	<b>\$ 9,957,729</b>	<b>\$ 9,332,204</b>	<b>\$ 8,690,334</b>	<b>\$ 9,053,242</b>	<b>\$ 6,819,314</b>	<b>\$ 3,793,277</b>	<b>\$ 3,596,419</b>
<b>Covered payroll</b>	<b>\$ 40,513,399</b>	<b>\$ 39,429,099</b>	<b>\$ 38,373,819</b>	<b>\$ 37,346,782</b>	<b>\$ 37,346,782</b>	<b>\$ 37,123,323</b>	<b>\$ 36,042,061</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>24.58%</b>	<b>23.67%</b>	<b>22.65%</b>	<b>24.24%</b>	<b>18.26%</b>	<b>10.22%</b>	<b>9.98%</b>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**SAN GABRIEL UNIFIED SCHOOL DISTRICT***Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**For the Fiscal Year Ended June 30, 2024*

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*Last Ten Fiscal Years\**

<b>Employer's Fiscal Year Measurement Period</b>	<b>2023-24 2022-23</b>	<b>2022-23 2021-22</b>	<b>2021-22 2020-21</b>
District's proportion of net OPEB liability	0.0720%	0.0741%	0.0732%
District's proportionate share of net OPEB liability	\$ 218,396	\$ 244,226	\$ 291,811
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)

*This liability was not presented in previous audit years, therefore no information is available before the 2020-21 measurement period.*

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

# **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

## *Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2024*

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### **NOTE 1 – PURPOSE OF SCHEDULES**

#### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* and provisions of the *California Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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 adoptions 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

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

***Change of assumptions*** - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

#### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

#### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Change in benefit terms*** – There were no changes in benefit terms since the previous valuation.

***Change of assumptions*** – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.65 percent to 3.93 percent since the previous valuation.

## **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2024*

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### **NOTE 1 – PURPOSE OF SCHEDULES (continued)**

#### **Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented. As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program; therefore, the covered payroll disclosure is not applicable.

*Change in benefit terms* – There were no changes in benefit terms since the previous valuation.

*Change of assumptions* – The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.

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*Supplementary Information*

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**SAN GABRIEL UNIFIED SCHOOL DISTRICT***Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2024*

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	Second Period Report	Annual Report
<b>Regular ADA &amp; Extended Year:</b>		
Grades TK-3	1,303.29	1,312.92
Grades 4-6	962.01	962.79
Grades 7-8	603.20	604.23
Grades 9-12	1,447.02	1,449.81
Total Regular ADA	4,315.52	4,329.75
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Grades 7-8	2.67	2.76
Grades 9-12	4.53	4.80
Total Special Education, Nonpublic, Nonsectarian Schools ADA	7.20	7.56
Total ADA	4,322.72	4,337.31

**SAN GABRIEL UNIFIED SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2024*

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Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	51,300	180	Complied
Grade 1	50,400	50,625	180	Complied
Grade 2	50,400	50,625	180	Complied
Grade 3	50,400	50,625	180	Complied
Grade 4	54,000	55,350	180	Complied
Grade 5	54,000	55,350	180	Complied
Grade 6	54,000	58,809	180	Complied
Grade 7	54,000	58,809	180	Complied
Grade 8	54,000	58,809	180	Complied
Grade 9	64,800	65,092	180	Complied
Grade 10	64,800	65,092	180	Complied
Grade 11	64,800	65,092	180	Complied
Grade 12	64,800	65,092	180	Complied

## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### *Schedule of Financial Trends and Analysis*

*For the Fiscal Year Ended June 30, 2024*

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General Fund	(Budget)			
	2025 <sup>2</sup>	2024 <sup>3</sup>	2023	2022
Revenues and other financing sources	\$ 80,911,468	\$ 90,315,920	\$ 91,919,761	\$ 79,355,099
Expenditures and other financing uses	88,209,700	90,244,858	83,272,511	75,904,365
Change in fund balance (deficit)	(7,298,232)	71,062	8,647,250	3,450,734
Adjustments for restatement	-	-	-	254,932
Ending fund balance	\$ 14,221,588	\$ 21,519,820	\$ 21,448,758	\$ 12,801,508
Available reserves <sup>1</sup>	\$ 2,646,291	\$ 2,707,346	\$ 2,498,175	\$ 2,277,131
Available reserves as a percentage of total outgo	3.0%	3.0%	3.0%	3.0%
Total long-term debt	\$ 163,675,055	\$ 167,480,163	\$ 168,408,776	\$ 150,785,949
Average daily attendance at P-2	4,293	4,323	4,284	4,355

The General Fund balance has increased by \$8.7 million over the past two years. The fiscal year 2024-25 adopted budget projects an decrease of \$7.3 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in none of the past three years, but anticipates an operating deficit during the 2024-25 fiscal year. Long-term debt has increased by \$16.7 million over the past two years.

Average daily attendance increased by 39 in 2023-24 as compared to 2022-23, but is projected to decrease by 30 in 2024-25.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Revised budget September, 2024.

<sup>3</sup> 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 Deferred Maintenance Fund, the Special Reserve Fund for Other Postemployment Benefits and the Self-Insurance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2024*

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*There were no differences between the Annual Financial and Budget Report and the  
Audited Financial Statements in any funds.*

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**

*Schedule of Charter Schools*

*For the Fiscal Year Ended June 30, 2024*

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Charter School		Inclusion in Financial
Name	Number	Statements
Options For Youth - San Gabriel	0117	Not included

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2024*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.555	15655	\$ 8,759	
School Breakfast Program - Especially Needy	10.555	13526	257,293	
National School Lunch Program	10.555	13523	1,557,319	
USDA Donated Foods	10.555	N/A	167,480	
Subtotal Child Nutrition Cluster				\$ 1,990,851
Passed through California Dept. of Social Services:				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13666	98,489	
CACFP in Lieu of Commodities	10.558	N/A	6,836	
Subtotal Child and Adult Care Food Program				105,325
Total U.S. Department of Agriculture				2,096,176
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		1,253,085
Title II, Part A, Supporting Effective Instruction	84.367	14341		123,092
English Language Acquisition Grants:				
Title III, Immigrant Student Program	84.365	15146	854	
Title III, Limited English Proficiency	84.365	14346	258,064	
Subtotal English Language Acquisition				258,918
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		95,051
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14893		54,976
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	2,544,073	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund - Learning Loss	84.425U	10155	1,062,787	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	101,115	
American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425U	15566	15,436	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	24,910	
Subtotal Education Stabilization Fund				3,748,321
Passed through Desert/Mountain SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,104,339	
Preschool Grants, Part B, Sec. 619	84.173	13430	19,951	
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	63,301	
Subtotal Special Education (IDEA) Cluster				1,187,591
Total U.S. Department of Education				6,721,034
Total Expenditures of Federal Awards				\$ 8,817,210

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

# SAN GABRIEL UNIFIED SCHOOL DISTRICT

## Note to the Supplementary Information

June 30, 2024

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### NOTE 1 – PURPOSE OF SCHEDULES

#### 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 number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

#### Schedule of Financial Trends and Analysis

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

#### Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report 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 and whether or not the charter school is included in the District audit.

#### Schedule of Expenditures of Federal Awards

The 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 the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 8,949,299
Differences between Federal Revenues and Expenditures:		
Supply Chain Assistance (SCA) Funds	10.555	(132,089)
Total Schedule of Expenditures of Federal Awards		<u>\$ 8,817,210</u>

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## *Other Information*

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## **SAN GABRIEL UNIFIED SCHOOL DISTRICT**

### *Local Educational Agency Organization Structure*

*June 30, 2024*

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The San Gabriel Unified School District was officially organized as an elementary school district in 1868, and became unified on July 1, 1992. The District is comprised of an area of approximately 4.5 square miles located in central Los Angeles County. The District boundaries encompass portions of the cities of San Gabriel and Rosemead, as well as unincorporated areas of Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is currently operating one high school, one continuation school, one charter school, one middle school and five elementary schools.

#### **GOVERNING BOARD**

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<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Cristina Alvarado	President	December 2024
Rochelle Kate Haas	Vice President	December 2026
Cheryl A. Shellhart	Member	December 2024
Gina Chi	Member	December 2026
Dr. Gary Thomas Scott	Member	December 2026

#### **DISTRICT ADMINISTRATORS**

James Symonds,  
*Superintendent*

Dr. Joan Perez,  
*Assistant Superintendent, Educational Services*

Larry Ferchaw,  
*Assistant Superintendent, Business Services*

Ross Perry,  
*Assistant Superintendent, Human Resources*

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***Other Independent Auditors' Reports***

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

Board of Trustees  
San Gabriel Unified School District  
San Gabriel, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Gabriel Unified School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

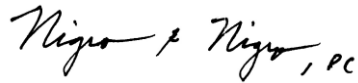
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
November 25, 2024





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
San Gabriel Unified School District  
San Gabriel, California

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

***Opinion on Each Major Federal Program***

We have audited the San Gabriel Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the San Gabriel Unified School District's major federal programs for the year ended June 30, 2024. The San Gabriel Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the San Gabriel Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the San Gabriel Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the San Gabriel Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the San Gabriel Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

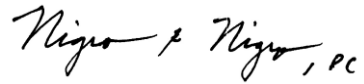
### **Report on Internal Control Over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
November 25, 2024

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees  
San Gabriel Unified School District  
San Gabriel, California

### Report on Compliance

#### ***Opinion***

We have audited the San Gabriel Unified School District's (District) compliance with the requirements specified in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2024.

In our opinion, San Gabriel Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2024.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<b>Description</b>	<b>Procedures Performed</b>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No*
Continuation Education	No*
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

<b>Description</b>	<b>Procedures Performed</b>
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
<b>Charter Schools:</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

\*We did not perform testing of continuation education and independent study because the ADA was below the level that requires testing.

Areas marked as “Not Applicable” were not operated by the District.

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

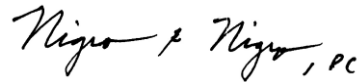
### ***Report on Internal Control over Compliance***

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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Murrieta, California  
November 25, 2024



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*Schedule of Findings and Questioned Costs*

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## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2024

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#### Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

#### Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516 (a)?	<u>No</u>
Identification of major programs:	
Assistance Listing	
Numbers	<u>Name of Federal Program or Cluster</u>
84.173, 84.027	<u>IDEA Cluster</u>
84.425U	<u>Education Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

#### State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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## SAN GABRIEL UNIFIED SCHOOL DISTRICT

### *Financial Statement Findings*

*For the Fiscal Year Ended June 30, 2024*

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This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

*There were no financial statement findings in 2023-24.*

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**

*Federal Award Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2024*

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This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2023-24.*

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**  
*State Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2024*

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This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no state award findings or questioned costs in 2023-24.*

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2024*

<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2023-001: Capital Assets</i>	<p>Education Code 35168 requires LEAs to maintain a historical inventory of all equipment whose current market value exceeds \$500. Federal regulations also require government agencies to maintain detailed inventory records for all equipment purchased with federal funds. Furthermore, the California School Accounting Manual (CSAM) describes policies and procedures that should be adopted and implemented by LEAs in order to maintain a detailed inventory of capital assets. Finally, Governmental Accounting Standards Board (GASB) Statement No.34 requires presentation of all capital assets at historical cost in addition to an annual allowance for depreciation in order for financial statements to be presented in accordance with accounting standards generally accepted in the United States of America.</p> <p>During our review of the District’s capital assets, we noted that the District has improved its procedures over physical inventory of equipment and capital assets. Although the District provided a detailed listing of capital assets and depreciation, current year additions were not reconciled to the listing, and consequently, several of the District's building and equipment additions were omitted from the listing. Also, a separate detail of construction in progress was not kept.</p>	20000	We recommend that the District design and implement controls to ensure that it tracks capital additions and disposals, as well as construction in progress.	Implemented.

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To the Board of Trustees  
San Gabriel Unified School District  
San Gabriel, California

In planning and performing our audit of the basic financial statements of San Gabriel Unified School District for the year ending June 30, 2024, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 25, 2024 on the financial statements of San Gabriel Unified School District.

#### ***ASSOCIATED STUDENT BODY FUNDS***

***Observation:*** During our review of disbursements at Gabrielino High, we noted that approvals are not consistently obtained prior to making a purchase. We noted that 22 of the 25 disbursements we tested were not pre-approved.

***Recommendation:*** Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

***Observation:*** In our testing of cash receipts at Gabrielino High, we found that 1 of the 10 deposits sampled lacked sufficient supporting documentation. In our testing of cash receipts at Jefferson Middle, we found that 1 of the 7 deposits sampled lacked sufficient supporting documentation. There were no tally sheets, individual pre-numbered receipts, or other point of collection documentation, which made it impossible to tie the cash collected by advisors to the actual amount turned in to the bookkeeper. Also, webstore deposits are not reconciled to the online reports.

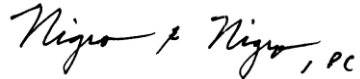
***Recommendation:*** Supporting documentation such as order forms, ticket control worksheets, pre-numbered receipts, and/or other point of sale documentation should be maintained for all transactions. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

**Observation**

During our testing of cash disbursements at Gabrielino High School, we noted 1 of 25 instances where purchased items were shipped directly to the purchaser's home address, rather than to the school. At Jefferson Middle School, we noted 1 of 15 instances where purchased items were shipped directly to the purchaser's home address, rather than to the school. Allowing items to be shipped directly to the purchaser increases the possibility for fraudulent transactions to occur and go undetected.

**Recommendation:** We recommend all goods purchased with ASB funds be shipped directly to the school office.

We will review the status of the current year comments during our next audit engagement.

A handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California  
November 25, 2024

## APPENDIX C

### ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CITY OF SAN GABRIEL AND LOS ANGELES COUNTY

*The Bonds are not a debt of the City of San Gabriel (the “City”) or Los Angeles County (the “County”). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

#### General Information

**The City.** The City is located in the San Gabriel Valley approximately 12 miles northeast of Los Angeles and encompasses approximately 4.1 square miles. The City was incorporated on April 24, 1913. It is a general law city and operates under a Council/Manager form of government. The Mayor and Council members are elected at large, and City Manager is appointed by the Council and is responsible for supervising the day-to-day operations of the City and for carrying out policies set by the Council.

**The County.** Located along the southern coast of California, the County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The County includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties.

Almost half of the County is mountainous and some 14% is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the County is a semi-dry plateau, the beginning of the vast Mojave Desert. According to the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the county covered about 1,344 square miles or 27% of the total county. About 16% of the land in the County was devoted to residential use and over two-thirds of the land was open space and vacant.

#### Population

The table below shows population estimates for the City, County, and the State of California for the last five years.

**LOS ANGELES COUNTY**  
**Population Estimates**  
**Calendar Years 2021 through 2025 as of January 1, 2025**

Area	2021	2022	2023	2024	2025
City of San Gabriel	39,352	38,649	38,538	38,569	38,953
County of Los Angeles	9,966,353	9,870,212	9,834,286	9,848,643	9,876,811
State of California	39,369,530	39,179,680	39,228,444	39,420,663	39,529,101

Source: State Department of Finance estimates (as of January 1, 2021).

## Employment and Industry

The seasonally adjusted unemployment rate in the County declined over the month to 5.8% in April 2025, from a revised 5.9% in March 2025, and was above the rate of 5.6% one year ago. Civilian employment declined to 4,775,000 in April 2025 and unemployment decreased by 4,000 to 296,000. The civilian labor force declined by 6,000 over the month to 5,071,000 in April 2025. (All of the above figures are seasonally adjusted.)

The unadjusted unemployment rate for the County was 5.1% in April 2025. The California seasonally adjusted unemployment rate was 5.3% in April 2025, 5.3% in March 2025, and 5.2% a year ago in April 2024. The comparable estimates for the nation were 4.2% in April 2025, 4.2% in March 2025, and 3.9% a year ago.

### LOS ANGELES-LONG BEACH-GLENDALE MD (LOS ANGELES COUNTY) Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2024 Benchmark)

	2020	2021	2022	2023	2024
Civilian Labor Force <sup>(1)</sup>	4,972,600	4,999,700	5,021,800	5,055,300	5,109,800
Employment	4,363,200	4,551,600	4,771,700	4,799,000	4,812,600
Unemployment	609,400	448,100	250,100	256,200	297,200
Unemployment Rate	12.3%	9.0%	5.0%	5.1%	5.8%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	4,400	4,600	4,800	4,700	4,800
Mining and Logging	1,700	1,600	1,700	1,700	1,700
Construction	146,600	149,000	151,300	151,200	150,900
Manufacturing	315,400	313,100	321,700	318,400	310,800
Wholesale Trade	201,100	202,600	204,400	200,200	195,300
Retail Trade	375,700	396,100	405,500	404,900	400,100
Trans., Warehousing, Utilities	207,900	215,200	223,600	217,900	218,600
Information	191,100	208,800	234,900	193,100	189,800
Financial and Insurance	132,300	129,000	126,600	122,600	120,000
Real Estate, Rental & Leasing	80,900	84,100	89,200	88,300	88,800
Professional and Business Services	601,000	630,800	666,900	656,800	657,800
Educational and Health Services	821,700	844,400	871,100	920,300	969,400
Leisure and Hospitality	393,700	434,200	512,400	534,100	537,400
Other Services	128,800	135,700	153,000	157,400	158,400
Federal Government	50,200	47,700	47,100	47,900	48,300
State Government	89,000	90,700	95,400	98,500	100,300
Local Government	431,000	421,900	427,500	435,800	442,500
Total All Industries <sup>(3)</sup>	4,172,500	4,309,700	4,536,900	4,553,700	4,594,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of June 2025, in alphabetical order.

### LOS ANGELES COUNTY Largest Employers June 2025

Employer Name	Location	Industry
All Nations Church	Sylmar	Churches
California State Univ Nrthrdg	Northridge	Schools-Universities & Colleges Academic
California State-Long Beach	Long Beach	Schools-Universities & Colleges Academic
Cedars-Sinai Health System	West Hollywood	Health Care Management
Emanate Health Queen-The Vly	West Covina	Hospitals
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
Lac HARBOR Ucla Medical Ctr	Torrance	Hospitals
Live Nation	Los Angeles	Entertainment Bureaus
Long Beach City Hall	Long Beach	City Hall
Longshore Dispatch	Wilmington	Labor Organizations
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles General Med Ctr	Los Angeles	Hospitals
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Medical Ctr	Los Angeles	Pathologists
Los Angeles Police Dept	Los Angeles	Police Departments
Memorialcare Long Beach Med	Long Beach	Hospitals
PIH Health	Whittier	Health Care Management
Security Industry Specialist	Culver City	Security Systems Consultants
Six Flags Magic Mountain	Valencia	Amusement & Theme Parks
Sony Pictures Entrtn Inc	Culver City	Motion Picture Producers & Studios
UCLA Community Based Learning	Los Angeles	Junior-Community College-Tech Institutes
Vision X	Los Angeles	Call Centers
Walt Disney Co	Burbank	Amusement & Theme Parks
Water Garden Management	Santa Monica	Office Buildings & Parks

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2025 1st edition.*

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income and the median household effective buying income for the City, the County, the State of California and the United States for the years 2021 through 2025.

### CITY OF SAN GABRIEL, LOS ANGELES COUNTY, CALIFORNIA AND UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2021	City of San Gabriel	\$1,010,852	\$57,492
	Los Angeles County	289,720,470	62,353
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of San Gabriel	\$1,131,008	\$67,784
	Los Angeles County	327,445,237	71,404
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of San Gabriel	\$1,198,752	\$71,569
	Los Angeles County	332,188,114	71,057
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of San Gabriel		
	Los Angeles County	\$342,046,555	\$74,246
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of San Gabriel	\$1,227,526	\$75,342
	Los Angeles County	351,923,537	75,103
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687

Source: Claritas, LLC.

## Commercial Activity

Total taxable sales during calendar year 2024 in the City were reported to be \$349,848,973 a 3.09% decrease from the total taxable sales of \$407,433,569 reported during calendar year 2023.

**CITY OF SAN GABRIEL**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	968	\$216,388	1,512	\$261,280
2021	930	287,702	1,463	345,350
2022	916	322,581	1,461	397,294
2023	890	334,349	1,439	407,434
2024	905	317,250	1,490	394,849

*Source: State Department of Tax and Fee Administration.*

Total taxable sales during calendar year 2024 in the County were reported to be \$202,317,676,637, a 2.97% decrease from the total taxable sales of \$208,502,835,326 reported during calendar year 2023.

**LOS ANGELES COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2020 through 2024**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	226,643	\$113,415,974	376,990	\$157,737,984
2021	208,412	139,000,373	349,061	192,524,203
2022	210,441	150,622,624	354,092	213,716,609
2023	202,366	146,164,088	342,582	208,502,835
2024	202,854	141,136,404	344,742	202,317,677

*Source: State Department of Tax and Fee Administration.*

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**APPENDIX D**  
**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL**  
**2024 Series A Bonds**

[LETTERHEAD OF JONES HALL]

[Closing Date]

Governing Board  
San Gabriel Unified School District  
408 Junipero Serra Drive  
San Gabriel, California 91776

**OPINION:**     \$\_\_\_\_\_ San Gabriel Unified School District  
                         Election of 2024 General Obligation Bonds, Series A

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Members of the Governing Board:

We have acted as bond counsel to the San Gabriel Unified School District (the "District") in connection with the issuance by the District of the general obligation bonds captioned above, dated \_\_\_\_\_ (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we deem necessary to render this opinion.

The Bonds are issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Governing Board of the District (the "Board") on July 22, 2025 (the "Bond Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Bond Resolution, and on the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a school district with the power to adopt the Bond Resolution, perform the agreements on its part contained therein, and issue the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District, enforceable against the District.

3. The Bonds have been duly authorized and executed by the District, and are valid and binding general obligations of the District.

4. The county in which the District is located is obligated and authorized under the laws of the State of California to levy ad valorem taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

## 2025 Refunding Bonds

[LETTERHEAD OF JONES HALL]

[Closing Date]

Governing Board  
San Gabriel Unified School District  
408 Junipero Serra Drive  
San Gabriel, California 91776

**OPINION:**     \$\_\_\_\_\_ San Gabriel Unified School District  
                         2025 General Obligation Refunding Bonds

Members of the Governing Board:

We have acted as bond counsel to the San Gabriel Unified School District (the "District") in connection with the issuance by the District of the general obligation refunding bonds captioned above, dated \_\_\_\_\_ (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we deem necessary to render this opinion.

The Bonds are issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Sections 53550 and 58580 of such Code (the "Act"), and a resolution of the Governing Board of the District (the "Board") adopted on July 22, 2025 (the "Bond Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Bond Resolution, and on the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1.     The District is a duly created and validly existing school district with the power to adopt the Bond Resolution, perform the agreements on its part contained therein, and issue the Bonds.

2.     The Bond Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District enforceable upon the District.

3.     The Bonds have been duly authorized and executed by the District, and are valid and binding general obligations of the District.

4.     The county in which the District is located is obligated and authorized under the laws of the State of California to levy ad valorem taxes, without limit as to rate or amount (except

with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_ \*  
SAN GABRIEL UNIFIED SCHOOL DISTRICT  
(Los Angeles County, California)  
Election of 2024 General Obligation Bonds,  
Series A

\$ \_\_\_\_\_ \*  
SAN GABRIEL UNIFIED SCHOOL DISTRICT  
(Los Angeles County, California)  
2025 General Obligation Refunding Bonds

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the San Gabriel Unified School District (the “**District**”) in connection with the execution and delivery of the above-captioned bonds (the “**Bonds**”). The Bonds are being executed and delivered pursuant to resolutions adopted by the Governing Board of the District on July 22, 2025 (the “**Resolutions**”). U.S. Bank Trust Company, National Association, Los Angeles, California, as agent for the Treasurer-Tax Collector of Los Angeles County, is initially acting as paying agent for the Bonds (the “**Paying Agent**”).

The District hereby covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**Section 2. Definitions.** In addition to the definitions set forth above and in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District.

“*Dissemination Agent*” means, initially, Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

*“Paying Agent”* means U.S. Bank Trust Company, National Association, Los Angeles, California, as agent for the Treasurer-Tax Collector of Los Angeles County, or any successor thereto.

*“Participating Underwriter”* means the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

### **Section 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2026, with the report for the 2024-25 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 business days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) notice to the MSRB in a timely manner, in an electronic format, as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

**Section 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

(a) 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.

(b) 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):

- (i) State funding received by the District for the last completed fiscal year;
- (ii) average daily attendance of the District for the last completed fiscal year;
- (iii) outstanding District indebtedness;
- (iv) assessed valuation of taxable property within the District, for the current fiscal year;
- (v) Assessed valuation of the properties of the top 20 secured property taxpayers in the District as shown in the most recent equalized assessment roll;
- (vi) secured ad valorem tax charges and delinquencies within the District, for the last completed year, except to the extent that the Los Angeles County elects to adopt the Teeter Plan with respect to ad valorem property tax levies for bonded debt of the District; and
- (vii) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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.

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

**Section 5. Reporting of Significant Events.**

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.

- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for



purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

**Section 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolutions for amendments to the Resolutions with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

**Section 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 12. Duties, Immunities and Liabilities of Dissemination Agent.**

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and

duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

**Section 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2025

**SAN GABRIEL UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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**APPENDIX G**

**LOS ANGELES COUNTY INVESTMENT POLICY  
AND INVESTMENT REPORT**

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**ELIZABETH BUENROSTRO GINSBERG**  
TREASURER AND TAX COLLECTOR

**COUNTY OF LOS ANGELES  
TREASURER AND TAX COLLECTOR**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 437  
Los Angeles, California 90012  
Telephone: (213) 974-2101 Fax: (213) 626-1812  
ttc.lacounty.gov and propertytax.lacounty.gov

Board of Supervisors

HILDA L. SOLIS  
First District

HOLLY J. MITCHELL  
Second District

LINDSEY P. HORVATH  
Third District

JANICE HAHN  
Fourth District

KATHRYN BARGER  
Fifth District

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

March 11, 2025

18 March 11, 2025

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

EDWARD YEN  
EXECUTIVE OFFICER

Dear Supervisors:

**DELEGATION OF AUTHORITY TO INVEST AND  
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR  
INVESTMENT POLICY  
(ALL DISTRICTS) (3-VOTES)**

**SUBJECT**

Delegation of authority to invest and reinvest County funds and funds of other depositors in the County Treasury to the Treasurer and Tax Collector (Treasurer), and adoption of the Treasurer and Tax Collector Investment Policy.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Delegate the authority to the Treasurer to invest and reinvest County funds and funds of other depositors in the County Treasury.
2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The requested actions allow the Treasurer to continue to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. On March 19, 2024, pursuant to Government Code (GC) Section 27000.1, and subject to GC Section 53607, your Board delegated to the Treasurer the annual authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury. GC Section 27000.1 states that subsequent to your Board's delegation, the Treasurer shall thereafter assume full responsibility for those transactions until your Board either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in GC Section 53607. This action requests renewal of the annual delegation.

GC Section 53646 permits your Board to annually approve the Investment Policy. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. These objectives align with those in State law. Each year, my office reviews the Investment Policy to incorporate changes deemed necessary to meet our primary objectives and to ensure that it aligns with any changes in the GC.

Based on our analysis and in consideration of current market conditions, we recommend no changes to the Investment Policy for 2025. However, we have provided the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings (Attachment III).

#### Update on Environmental, Social and Corporate Governance (ESG)

On March 9, 2021, your Board approved changes to the Investment Policy in areas related to the consideration of Environmental, Social and Corporate Governance (ESG). Consistent with the 2021 Investment Policy, we incorporated Sustainalytics ESG scores as part of our analysis of investment issuers and have taken action to reduce investments if an issuer's composite ESG score is weaker than the median score for its industry. To date, the consideration of ESG scores in determining our issuers' investment limits has not impacted the County Treasury's return on investments.

In Fiscal Year (FY) 2023-24, the percentage of approved issuers with ESG scores increased to 58%, from 57% the prior year. Our purchase volume from issuers with ESG scores increased, from \$30.3 billion in FY 2022-23, to \$33.2 billion in FY 2023-24. This increase is largely attributable to the growth in the investment pool size.

#### **Implementation of Strategic Plan Goals**

The recommended action supports County Strategic Plan North Star 3, Realize tomorrow's government today; Focus Area Goal G, Internal Controls and Processes; Strategy ii. Manage and Maximize County Assets.

#### **FISCAL IMPACT/FINANCING**

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Pursuant to GC Section 27000.1, your Board may delegate by ordinance the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer. On January 23, 1996, your Board adopted Ordinance 96-0007 adding Los Angeles County Code Section 2.52.025, which delegated such authority to the Treasurer, subject to annual renewal pursuant to GC Section 53607. GC 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This GC Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**


There is no impact on current services.

The Honorable Board of Supervisors

3/11/2025

Page 3

Respectfully submitted,

A handwritten signature in cursive script, reading "Elizabeth Buenrostro Ginsberg". The signature is written in dark ink and is positioned above the printed name.

ELIZABETH BUENROSTRO GINSBERG

Treasurer and Tax Collector

EBG:LP:DJJ:JK:bp

Enclosures

c: Chief Executive Officer  
Executive Officer, Board of Supervisors  
Auditor-Controller  
County Counsel

**COUNTY OF LOS ANGELES  
TREASURER AND TAX COLLECTOR  
INVESTMENT POLICY**

**Authority to Invest**

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

**Fundamental Investment Policy**

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

**Pooled Surplus Investment Portfolio**

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed \$500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, III, and IV (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 4.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 24 months' average total cash and investments, after adjustments, as indicated in Attachment III.

### **Business Continuity Plan**

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread emergency. The BCP includes written guidelines to perform critical Treasury functions, contact

information for key personnel, authorized bank representatives and broker/dealers. The Treasurer's Office implemented its BCP in 2007.

### **Liquidity of PSI Investments**

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

### **Specific Purpose Investment Portfolio**

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.



### **Execution, Delivery, and Monitoring of Investments**

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or his authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

### **Reporting Requirements**

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.
- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

### **Discretionary Treasury Deposits and Withdrawal of Funds**

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

### **Broker/Dealers Section**

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealers with minimum capitalization of \$500 million and who meet all five of the below listed criteria:

1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
2. Be a member of the Financial Industry Regulatory Authority and;
3. Be registered with the Securities and Exchange Commission and;
4. Have been in operation for more than five years; and
5. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in United States (U.S.) Treasuries and Agencies.

B. Emerging firms that meet all of the following:

1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
2. Maintain office(s) in California and;
3. Maintain a minimum capitalization of \$250,000 and, at the time of application, have a maximum capitalization of no more than \$10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

- A. Confirmation of daily trade transactions and all open trades in effect at month-end.
- B. Response to auditor requests for confirmation of investment transactions.
- C. Response to the Internal Controls Branch requests for needed information.

### **Honoraria, Gifts, and Gratuities Limitations**

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

### **Investment Limitations**

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding \$100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

### **Consideration of Environmental, Social, and Corporate Governance (ESG) Scores**

The Treasurer considers that environmental, social and governance (ESG) factors may financially impact the safety, liquidity and yield of investment opportunities. The Treasurer therefore may pursue pragmatic and cost-effective means to consider such factors to fulfill the objectives set forth for the PSI Portfolio.

The Treasurer may also seek to further the County's sustainability goals and enhance the transition to a green economy, consistent with the County's Sustainability Plan, Our County, in its investment decisions, as long as such investments achieve substantially equivalent safety, liquidity and yield compared to other investment opportunities.

### **Permitted Investments**

Permitted Investments SHALL be limited to the following:

#### **A. Obligations of the U.S. Government, its agencies and instrumentalities**

1. Maximum maturity: None.
2. Maximum total par value: None.
3. Maximum par value per issuer: None.
4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

#### **B. Municipal Obligations from the approved list of municipalities** (Attachment IV)

1. Maximum maturity: As limited in Attachment IV.
2. Maximum total par value: 10% of the PSI portfolio.

#### **C. Asset-Backed Securities**

1. Maximum maturity: Five years.
2. Maximum total par value: 20% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
4. All Asset-Backed securities must be rated in a rating category of "AA" or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

**D. Bankers' Acceptance Domestic and Foreign**

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
  - a) The total shareholders' equity of depository bank.
  - b) The total net worth of depository bank.

**E. Negotiable Certificates of Deposit (CD)**

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Must be issued by:
  - a) National or State-chartered bank, or
  - b) Savings association or Federal association, or
  - c) Federal or State credit union, or
  - d) Federally licensed or State-licensed branch of a foreign bank.
5. Euro CD's:
  - a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

- b) Maximum total par value: 10% of the PSI portfolio.
  - c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
  - d) Limited to London branch of National or State-chartered banks.
6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
- a) The total shareholders' equity of depository bank.
  - b) The total net worth of the depository bank.

#### **F. Corporate and Depository Notes**

- 1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.
- 2. Maximum total par value: 30% of the PSI portfolio.
- 3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
- 4. Notes MUST be issued by:
  - a) Corporations organized and operating within the U.S.
  - b) Depository institutions licensed by the U.S or any State and operating within the U.S.
- 5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

#### **G. Floating Rate Notes**

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

- 1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.
5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:
  - a) Specific basis for the benchmark rate.
  - b) Specific computation for the benchmark rate.
  - c) Specific reset period.
  - d) Notation of any put or call provisions.

#### **H. Commercial Paper**

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer's current credit rating.
4. Credit: Issuing Corporation - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
  - a) The entity meets the following criteria:
    - 1) Is organized and operating in the U.S. as a general corporation.
    - 2) Has total assets in excess of \$500 million.
    - 3) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a NRSRO.

b) The entity meets the following criteria:

- 1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.
- 2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
- 3) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

#### **I. Shares of Beneficial Interest**

1. Money Market Fund (MMF) - Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

- a) Attained the highest possible rating by not less than two NRSROs.
- b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars (\$500,000,000).

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.
3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
  - a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - b) The adviser has not less than five years of experience investing in the



securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

- c) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

#### **J. Repurchase Agreement**

1. Maximum maturity: 30 days.
2. Maximum total par value: \$1 billion.
3. Maximum par value per dealer: \$500 million.
4. Agreements must be in accordance with approved written master repurchase agreement.
5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

#### **K. Reverse Repurchase Agreement**

1. Maximum term: One year.
2. Maximum total par value: \$500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Maximum par value per broker: \$250 million.
4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the

Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.
6. Agreements must be in accordance with approved written master repurchase agreement.
7. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.
8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.
11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

#### **L. Forwards, Futures and Options**

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.
2. Maximum aggregate par value: \$100 million.
3. Maximum par value per counterparty: \$50 million. Counterparties for Forward and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated "A" or better from at least one nationally recognized rating agency.
4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.
5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed \$100,000 for each occurrence or exceed a total of \$250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.
6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.
7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.
8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

#### **M. Interest Rate Swaps**

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating. Further, the counterparty to such an agreement SHALL be rated "A" or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated "A" or better from at least one nationally recognized rating agency acceptable to the Treasurer.

## **N. Securities Lending Agreement**

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.
2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.
4. Agreements SHALL only be made for the purpose of enhancing investment revenue.
5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.
6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

## **O. Supranationals**

Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member

countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of "AA" or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

Permitted Investments are also subject to limitation based on the ESG score of individual issuers in comparison to the ESG score of the issuer's business sector, as rated by Sustainalytics. The limitation methodology is shown in Attachment II.

County of Los Angeles  
Treasurer and Tax Collector  
Investment Policy  
ATTACHMENT I-a.

**MINIMUM CREDIT RATING  
DOMESTIC ISSUERS**

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM
		A-1/AA	P-1/Aa	F1/AA	\$600MM
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles  
Treasurer and Tax Collector  
Investment Policy  
ATTACHMENT I-b.

**MINIMUM CREDIT RATING  
FOREIGN ISSUERS**

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM
		A-1/AA	P-1/Aa	F1/AA	\$450MM
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles  
Treasurer and Tax Collector  
Investment Policy  
ATTACHMENT I-c.

**MINIMUM CREDIT RATING  
SUPRANATIONAL ISSUERS**

<b>Issuer Rating (1)</b>			<b>Investment Limit (2)</b>
<b>S&amp;P Global</b>	<b>Moody's Analytics</b>	<b>Fitch Ratings</b>	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.



County of Los Angeles  
Treasurer and Tax Collector  
Investment Policy  
ATTACHMENT I-d.

**MINIMUM CREDIT RATING  
COMMERCIAL PAPER**

Maximum Maturity	Issuer Rating (1) (2)			Investment Limit (3)
	S&P Global	Moody's Analytics	Fitch Ratings	
270 days	A-1	P-1	F1	\$1.5 Billion

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) If an issuer has a long-term rating, it must be rated in a rating category of "A" or its equivalent or higher.
- (3) Maximum combined par value for all issuers is limited to 40% of the PSI portfolio.

**ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG) SCORE  
IMPACT ON INVESTMENT LIMITS**

If an issuer's Sustainalytics ESG score is weaker than the median Sustainalytics ESG score of its business sector, investment limits will be subject to the following investment limit reductions:

<b>Score Differential</b>	<b>Percentage Reduction of Investment Limit</b>
$\leq 5$ points weaker	0%
$5 \leq 10$ points weaker	15%
$10 \leq 20$ points weaker	30%
$> 20$ points weaker	50%

County of Los Angeles  
Treasurer and Tax Collector  
Investment Policy  
ATTACHMENT III

**LIMITATION CALCULATION FOR  
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS  
(Actual \$)**

Average Investment Balance and Available Cash (1)	\$54,855,027,336
Less:	
▪ 50% of Discretionary Deposits (1)	(\$1,780,447,842)
Average Available Balance	\$53,074,579,494
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	\$39,805,934,621
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	\$13,268,644,874
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	\$26,537,289,747

(1) 24 Month Average from December 2022 to November 2024.

(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

### **APPROVED LIST OF MUNICIPAL OBLIGATIONS**

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s Analytics) or “A-” (S&P Global or Fitch Ratings). The maximum maturity is limited to 30 years.
2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s Analytics rating of “MIG-1” or “A2” or a minimum S&P Global rating of “SP-1” or “A.” Maximum maturity limited to five years.

## THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (Treasury Pool). As of June 30, 2025, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$23.766
Schools and Community Colleges	31.639
Discretionary Participants	<u>3.463</u>
Total	\$58.868

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	94.12%
Discretionary Participants:	
Independent Public Agencies	5.76%
County Bond Proceeds and Repayment Funds	<u>0.12%</u>
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 11, 2025, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Report of Investments dated July 31, 2025, the June 30, 2025, book value of the Treasury Pool was approximately \$58.868 billion, and the corresponding market value was approximately \$57.406 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of June 30, 2025:

<b><u>Type of Investment</u></b>	<b><u>% of Pool</u></b>
Certificates of Deposit	3.48
U.S. Government and Agency Obligations	67.42
Bank Acceptances	0.00
Commercial Paper	29.05
Municipal Obligations	0.05
Corporate Notes & Deposit Notes	0.00
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	<u>0.00</u>
	100.00

The Treasury Pool is highly liquid. As of June 30, 2025, approximately 44.45% of the investments mature within 60 days, with an average of 556 days to maturity for the entire portfolio.



