

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 16, 2026

NEW ISSUE – BOOK ENTRY ONLY

**RATING: Moody’s: “Aaa”
(See “RATING” herein.)**

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

\$24,655,000*

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
2026 GENERAL OBLIGATION REFUNDING BONDS**

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The Walnut Valley Unified School District (Los Angeles County, California) 2026 General Obligation Refunding Bonds (the “Bonds”) are being issued by the Walnut Valley Unified School District (the “District”) to (i) refund certain outstanding general obligation bonds of the District described herein, and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “THE REFUNDING.”

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

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2026. See “THE BONDS” herein.

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

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

MATURITY SCHEDULE

On Inside Cover

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

The Bonds will be sold to an Underwriter (defined herein) by competitive sale pursuant to the terms of an Official Notice of Sale dated April 23, 2026 for such Bonds. See “METHOD OF SALE” herein.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about May 7, 2026.

The Date of this Official Statement is: _____, 2026.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or filing under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

\$24,655,000*

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
2026 GENERAL OBLIGATION REFUNDING BONDS**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†] (932889)</u>
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2037				
2038				
2039				
2040				
2041				

\$ _____ % Term Bonds due August 1, 20__; Yield _____%, CUSIP⁽¹⁾ 932889__

* Preliminary, subject to change.

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WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Los Angeles County, State of California

Board of Trustees

Y. Tony Torng, Ph.D., *President*
Cynthia M. Ruiz, *Vice President*
Helen M. Hall, *Clerk*
Layla Abou-Taleb, *Member*
Larry L. Redinger, *Member*

District Administrators

Robert P. Taylor, Ed.D., *Superintendent*
Matthew A. Torres, Ed.D., *Deputy Superintendent, Business Services*
Diane L. Perez, Ed.D., *Assistant Superintendent, Human Resources*
Jeanette J. Koh, Ed.D., *Assistant Superintendent, Educational Services*
Dinah Felix, *Chief Operating Officer*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent and Escrow Agent

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

Verification Agent

Causey Public Finance, LLC
Denver, Colorado

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No dealer, broker, salesperson or other person has been authorized by the Walnut Valley Unified School District (the “District”) to provide any information or to make any representations other than as solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

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

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

\$24,655,000*
WALNUT VALLEY UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
2026 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

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

General

The Walnut Valley Unified School District (the “District”) proposes to issue \$24,655,000* aggregate principal amount of its 2026 General Obligation Refunding Bonds (the “Bonds”) in order to (i) refund all or a portion of the District’s outstanding 2016 General Obligation Refunding Bonds (the “2016 Refunding Bonds” and such 2016 Refunding Bonds to be refunded, the “Refunded Bonds”) and (ii) pay certain costs of issuance associated therewith. See “THE REFUNDING” herein.

Registration

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

The District

The Walnut Valley Unified School District (the “District”) is situated in the southeastern portion of Los Angeles County (the “County”) about 25 miles from downtown Los Angeles and encompasses an area of approximately 21.5 square miles. The District was formed in 1970 and includes portions of the cities of Walnut, Diamond Bar, Industry, and West Covina, as well as certain unincorporated County areas. The District currently operates nine elementary schools, three middle schools, two comprehensive high schools, and one continuation high school. For fiscal year 2025-26, the District has budgeted funded average daily attendance (“ADA”) to be 13,718 students. The total assessed valuation of taxable property within the District for fiscal year 2025-26 is \$15,913,106,573. The audited financial statements for the District for the fiscal year ended June 30, 2025 are attached hereto as APPENDIX B. For further information concerning the District, see the caption “WALNUT VALLEY UNIFIED SCHOOL DISTRICT” herein.

* Preliminary, subject to change.

Sources of Payment for the Bonds

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

Continuing Disclosure

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

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. U.S. Bank Trust Company, National Association, Los Angeles, California, as agent for the Treasurer, is acting as registrar, transfer agent and paying agent for the Bonds. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Municipal Advisor to the District in connection with the issuance of the Bonds. Dannis Woliver Kelley, U.S. Bank Trust Company, National Association and Fieldman, Rolapp & Associates, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

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

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about May 7, 2026.

THE BONDS

Authority for Issuance

The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Articles 9 and 11 of the Government Code (commencing with Section 53550) and pursuant to a resolution of the Board adopted on April 15, 2026 (the “Resolution”).

Purpose of Issue

The net proceeds of the Bonds will be used to refund the Refunded Bonds. See “THE REFUNDING” herein.

Description of the Bonds

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

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

Book-Entry Only System

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

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by U.S. Bank Trust Company, National Association, as Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” herein.

Payment of the Bonds

Interest on the Bonds is payable commencing August 1, 2026*, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”). Principal of the Bonds is payable on August 1 of each year as shown on the inside front cover pages hereto until maturity or the earlier redemption thereof. The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover pages hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the

* Preliminary, subject to change.

close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered as of an Interest Payment Date, in which event interest shall be payable from such date, or (ii) it is registered prior to an Interest Payment Date and after a Record Date, in which event interest shall be payable from such Interest Payment Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 2033 are not subject to redemption prior to their stated maturity dates. The Bonds maturing on or after August 1, 2037 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, 2036, 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.

Mandatory Redemption. The Bonds maturing August 1, 20__ are subject to mandatory sinking fund redemption on August 1 of each Mandatory Sinking Fund Payment Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
_____	_____

⁽¹⁾ Maturity.

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

* Preliminary, subject to change.

Selection of Bonds for Redemption

If less than all of the Bonds shall be called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, on a proportional basis. Within a maturity, the Paying Agent shall select the Bonds for redemption as directed by the District, and, in lieu of such direction by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of five thousand dollars (\$5,000) or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by five thousand dollars (\$5,000).

Notice of Redemption

When redemption is authorized, the Paying Agent, upon written instruction from the District, shall give notice of the redemption of such Bonds at least 20 but not more than 60 days prior to the redemption date to the respective Owners of such Bonds designated for redemption by first class mail, postage prepaid. 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 to be redeemed 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, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Any notice of redemption for an optional redemption of the Bonds delivered in accordance with the applicable Resolution may be conditional, and, if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date: (i) the notice of redemption shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional notice of redemption was given that such condition or conditions were not met and that the redemption was canceled.

Right to Rescind Notice of Redemption

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

Effect of Notice of Redemption

Notice having been given as required in the applicable Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside for payment of the redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Following the termination or removal of DTC or successor depository, any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the Owner thereof, in person or by the duly authorized attorney of such Owner, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Bonds shall be surrendered for transfer, the designated District officials shall execute and the Paying Agent shall authenticate and deliver, new Bonds, of the same maturity and interest rate for a like aggregate principal amount. The Paying Agent may require the payment by any Owner of Bonds requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Neither the District nor the Paying Agent will be required to transfer any Bonds (a) during the period from the Record Date next preceding any Bond Payment Date to such Bond Payment Date, (b) during the period beginning with the opening of business on the 15th business day next preceding any date of selection of Bonds to be redeemed and ending with the close of business on the day on which the applicable notice of redemption is given, or (c) which have been selected or called for redemption in whole or in part.

The Bonds may be exchanged for Bonds of other authorized denominations of the same maturity and interest rate, by the Owner thereof, in person or by the duly authorized attorney of such Owner, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed request for exchange in a form approved by the Paying Agent.

Whenever any Bonds shall be surrendered for exchange, the designated District officials shall execute and the Paying Agent shall authenticate and deliver, new Bonds of the same maturity and interest rate for a like aggregate principal amount. The Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Neither the District nor the Paying Agent will be required to exchange any Bonds (a) during the period from the Record Date next preceding any Bond Payment Date to such Bond Payment Date, (b) during the period beginning with the opening of business on the 15th business day next preceding any date of selection of Bonds to be redeemed and ending with the close of business on the day on which the applicable notice of redemption is given, or (c) which have been selected or called for redemption in whole or in part.

Defeasance

Any or all of the Bonds may be paid by the District 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 Bonds Outstanding, as and when the same become due and payable; or (b) by depositing with an escrow agent selected by the District, in trust, at or before maturity, money or securities in the necessary amount, including investment earnings thereon, to pay or redeem Bonds Outstanding; or (c) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the District shall pay all Bonds Outstanding, and shall also pay or cause to be paid all other sums payable under the applicable Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of an Authorized Officer, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the applicable Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, such Resolution and other assets made under such Resolution and all covenants, agreements and other obligations of the District under the applicable Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in such Resolution. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to such Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Continuing Disclosure Agreement

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

SOURCES AND USES OF FUNDS

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

<i>Sources of Funds</i>	<u>The Bonds</u>
Principal Amount of Bonds	
[Net] Original Issue Premium	
Total Sources	
 <i>Uses of Funds</i>	
Deposit to Escrow Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	

⁽¹⁾ Includes Underwriter’s discount, Bond and Disclosure Counsel fees, Municipal Advisor fees, paying agent fees, escrow agent fees, verification agent fees, rating agency fees, and other costs of issuance.

District Investments; Application of Proceeds

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

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

The net proceeds of the Bonds will be deposited into the Escrow Fund (defined herein) established pursuant to the Escrow Agreement (defined herein) and invested in those certain non-callable direct obligations of the United States of America, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

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

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
Total			

The table on the following page shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising its Election of 2000 General Obligation Bonds, Series D (the "Series 2000D Bonds"), Election of 2000 General Obligation Bonds, Series E (the "Series 2000E Bonds"), Election of 2007 General Obligation Bonds, Series B (Measure Y) (the "Series 2007Y-B Bonds"), Election of 2007 General Obligation Bonds, Series B (Measure S) (the "Series 2007S-B Bonds"), 2014 General Obligation Refunding Bonds, Series A (Tax Exempt) (the "Series 2014A Bonds"), 2016 Refunding Bonds, Election of 2016 General Obligation Bonds, Series A (the "Series 2016A Bonds"), 2019 General Obligation Refunding Bonds (Federally-Taxable) (the "2019 Refunding Bonds"), Election of 2016 General Obligation Bonds, Series B (the "Series 2016B Bonds"), Election of 2016 General Obligation Bonds, Series C (the "Series 2016C Bonds"), and the Bonds, assuming no optional redemption.

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WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Debt Service Schedule for Outstanding General Obligation Bonds

Period Ending August 1	Series 2000D Bonds	Series 2000E Bonds	Series 2007Y-B Bonds	Series 2007S-B Bonds	Series 2014A Bonds	2016 Refunding Bonds ¹	Series 2016A Bonds	2019 Refunding Bonds	Series 2016B Bonds	Series 2016C Bonds	The Bonds	Total Debt Service
2026	\$ 3,140,000.00	\$1,345,000.00	--	\$1,275,000.00	\$437,750.00	\$ 3,753,850.00	\$ 1,730,531.26	\$ 988,103.00	\$ 1,462,750.00	\$3,433,000.00		\$ 17,565,984.26
2027	3,745,000.00	1,285,000.00	--	1,355,000.00	--	3,907,350.00	1,795,281.26	987,190.00	1,520,950.00	3,602,750.00		18,198,521.26
2028	4,440,000.00	1,535,000.00	--	1,434,387.50	--	3,526,850.00	1,871,031.26	991,002.50	1,580,950.00	3,602,000.00		18,981,221.26
2029	4,595,000.00	1,590,000.00	--	1,519,565.05	--	3,668,350.00	1,942,031.26	989,447.50	1,647,550.00	3,593,750.00		19,545,693.81
2030	4,755,000.00	--	--	1,604,999.90	--	3,829,750.00	2,023,281.26	992,487.50	1,710,350.00	3,823,250.00		18,739,118.66
2031	4,920,000.00	--	--	1,700,000.00	--	3,990,150.00	2,104,031.26	990,137.50	1,779,350.00	4,198,500.00		19,682,168.76
2032	5,090,000.00	--	--	1,792,857.60	--	4,169,150.00	2,189,031.26	992,512.50	1,849,150.00	4,226,500.00		20,309,201.36
2033	5,265,000.00	--	\$ 113,559.60	2,984,995.20	--	2,205,550.00	2,276,281.26	989,480.00	1,924,550.00	4,213,500.00		19,972,916.06
2034	--	--	474,019.20	5,144,630.40	--	248,550.00	2,364,681.26	991,160.00	1,662,500.00	4,451,250.00		15,336,790.86
2035	--	--	512,930.00	5,395,091.00	--	248,550.00	2,462,881.26	992,415.00	1,587,200.00	4,007,000.00		15,206,067.26
2036	--	--	555,000.00	5,655,000.00	--	248,550.00	2,560,281.26	992,827.00	1,702,900.00	4,169,000.00		15,883,558.26
2037	--	--	--	--	--	1,313,550.00	2,661,681.26	6,052,782.00	1,820,900.00	3,782,750.00		15,631,663.26
2038	--	--	--	--	--	1,381,600.00	2,766,681.26	6,311,808.00	1,951,100.00	3,950,000.00		16,361,189.26
2039	--	--	--	--	--	1,455,000.00	2,878,343.76	6,615,440.00	2,083,200.00	4,118,750.00		17,150,733.76
2040	--	--	--	--	--	1,533,600.00	2,992,025.00	1,614,520.00	2,222,100.00	4,298,250.00		12,660,495.00
2041	--	--	--	--	--	1,612,000.00	3,111,950.00	1,646,040.00	1,627,600.00	4,602,250.00		12,599,840.00
2042	--	--	--	--	--	--	3,235,050.00	--	1,744,300.00	4,693,750.00		9,673,100.00
2043	--	--	--	--	--	--	3,368,250.00	--	1,863,200.00	2,172,250.00		7,403,700.00
2044	--	--	--	--	--	--	3,502,050.00	--	1,994,200.00	2,242,750.00		7,739,000.00
2045	--	--	--	--	--	--	3,641,175.00	--	2,132,000.00	2,316,500.00		8,089,675.00
2046	--	--	--	--	--	--	3,786,725.00	--	2,276,400.00	2,393,000.00		8,456,125.00
2047	--	--	--	--	--	--	3,938,175.00	--	2,427,200.00	2,474,000.00		8,839,375.00
2048	--	--	--	--	--	--	--	--	3,819,200.00	3,349,000.00		7,168,200.00
2049	--	--	--	--	--	--	--	--	4,057,500.00	3,456,000.00		7,513,500.00
2050	--	--	--	--	--	--	--	--	4,314,600.00	3,574,200.00		7,888,800.00
2051	--	--	--	--	--	--	--	--	--	4,102,800.00		4,102,800.00
Total	\$35,950,000.00	\$5,755,000.00	\$1,655,508.80	\$29,861,526.65	\$437,750.00	\$37,092,400.00	\$59,201,450.14	\$33,137,352.50	\$52,761,700.00	\$94,846,750.00		\$350,699,438.09

¹ Includes debt service on the Refunded Bonds to be refunded using proceeds of the Bonds.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. The *ad valorem* property taxes collected for payment of principal of and interest on the Bonds shall be deposited to the Interest and Sinking Fund of the District held by the County prior to being transferred to the Paying Agent for payment of the Bonds.

The District is authorized to issue refunding bonds to refinance its outstanding general obligation bonds (including general obligation refunding bonds) or to purchase its outstanding general obligation bonds to be refunded under the Government Code (commencing with section 53550 thereof).

Property Taxation System

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

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

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

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds. Such *ad valorem* taxes are held by the County separate and apart from other funds of the County and the District. See "SOURCES AND USES OF FUNDS – District Investments; Application of Proceeds" hereinabove.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are

executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

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

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

THE REFUNDING

The District intends to apply the proceeds of the sale of Bonds to (i) refund all or a portion of the 2016 Refunding Bonds and (ii) pay certain costs of issuance associated therewith.

The 2016 Refunding Bonds intended to be refunded by Bonds are as set forth in the below table*:

**Walnut Valley Unified School District
2016 General Obligation Refunding Bonds to be Refunded**

Maturity Date (August 1)	Principal Amount to be Refunded	Redemption Date*	Interest Rate	CUSIP ¹ (932889)
2027	\$2,810,000	August 1, 2026	5.000%	VZ8
2028	2,570,000	August 1, 2026	5.000	WA2
2029	2,840,000	August 1, 2026	4.000	WB0
2030	3,115,000	August 1, 2026	4.000	WC8
2031	3,400,000	August 1, 2026	4.000	WD6
2032	3,715,000	August 1, 2026	4.000	WE4
2033	1,900,000	August 1, 2026	3.000	WF1
2037	1,065,000	August 1, 2026	3.000	WH7
2041 ^T	5,415,000	August 1, 2026	4.000	WG9

^T Term Bond.

Upon the issuance of the Bonds, the District will transfer the net proceeds of the Bonds to U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”), for deposit into an escrow fund (the “Escrow Fund”) established pursuant to that certain Escrow and Deposit Agreement by and between the District and the Escrow Agent (the “Escrow Agreement”), to be applied to the redemption of the

* Preliminary, subject to change.

¹ Copyright 2026, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. The District does not take any responsibility for the accuracy of such CUSIP number.

2016 Refunding Bonds on or about August 1, 2026*, at a redemption price of the par amount of the 2016 Refunding Bonds plus accrued interest to the date of redemption.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

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

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

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

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

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of

* Preliminary, subject to change.

delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

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

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

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

The following table presents the historical assessed valuation in the District since fiscal year 2015-16. The District’s total assessed valuation is \$15,913,106,573 for fiscal year 2025-26.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2015-16 Through 2025-26**

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2015-16	\$10,122,476,408	\$168,000	\$166,701,538	\$10,289,345,946	--
2016-17	10,693,420,822	168,000	165,288,236	10,585,877,058	2.88%
2017-18	11,218,503,986	168,000	163,668,800	11,382,340,786	7.52
2018-19	11,820,719,312	168,000	176,282,600	11,977,169,912	5.22
2019-20	12,335,233,821	0	182,416,624	12,517,650,445	4.51
2020-21	12,777,051,630	0	197,313,771	12,974,365,401	3.64
2021-22	13,074,347,035	0	200,525,992	13,274,873,027	2.31
2025-26	13,729,405,306	0	208,173,388	13,937,578,694	4.99
2023-24	14,343,223,270	0	232,471,709	14,575,694,979	4.57
2024-25	14,912,177,009	0	208,816,977	15,120,993,986	3.74
2025-26	15,699,624,264	0	213,482,309	15,913,106,573	5.23

Source: *California Municipal Statistics, Inc.*

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property

caused by a natural or manmade disaster, such as earthquake, flood, fire, or toxic contamination, or other impacts of climate change and global warming, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “SECURITY FOR THE BONDS.”

Natural Disasters Impacting Assessed Valuations

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

During fiscal years 2020-21, 2021-22, and 2025-26, much of the State experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. Beginning in April, 2021, Governor Newsom signed several executive orders relating to the drought, including declaring states of emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during rain and using potable water to clean hard surfaces and driveways. In June 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations followed by additional water use regulations in December prohibiting wasteful water use practices. On March 24, 2023, as a result of rain and snowfall in the State, Governor Newsom rolled back many of the water use restrictions in his previous drought-related executive orders but left in place certain measures aimed at wasteful water uses as well as preserving ground water supplies. In September 2024, Governor Newsom lifted the drought states of emergency in 19 counties, including the County.

Currently, according to the U.S. Drought Monitor, none of the State (including the County) is experiencing any drought or abnormally dry conditions. The District cannot predict if water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

Wildfires. In recent years, certain portions of the State were affected by large-scale wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. In January 2025, multiple fires broke out across areas of Los Angeles County. The three largest of such fires were the Hughes Fire, Eaton Fire and Palisades Fire which burned thousands of acres and damaged or destroyed thousands of structures. The District is not located in close proximity to any of the affected areas and was not materially impacted by such fires.

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

The District is located in a very high risk-level earthquake zone. The territory within the District has experienced 13,679 earthquakes since 1931, with the largest earthquake within 30 miles of the City of

Walnut, being a 5.7 magnitude, which occurred in 1987. There is a 98.69% chance of a major earthquake (i.e., a 5.0 magnitude or greater) within 30 miles of the City of Walnut within the next 50 years.

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

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

Pandemic. The outbreak of COVID-19 and the corresponding measures to prevent its spread caused widespread unemployment and economic slowdown in the United States, the State and the County. The economic slowdown created by such a pandemic may increase the risk for an economic recession or depression or a general market decline in real estate values which in turn could lead to a reduction of assessed values in the District.

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

Reassessments and Appeals of Assessed Valuations

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

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

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

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

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District. However, any reduction in assessed value within the District would simply increase the tax rate necessary to pay the Bonds and any outstanding general obligation bonds of the District. The Board of Supervisors of the County is obligated to levy and collect *ad valorem* taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on outstanding general obligation bonds of the District.

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the District for fiscal year 2025-26 by political jurisdiction.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
2025-26 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Diamond Bar	\$ 9,224,843,951	57.97%	\$ 13,027,940,158	70.81%
City of Industry	851,341,322	5.35	13,030,762,129	6.53
City of Walnut	5,567,686,434	34.99	7,483,453,923	74.40
City of West Covina	122,681,116	0.77	16,360,646,285	0.75
Unincorporated Los Angeles County	<u>146,553,750</u>	<u>0.92</u>	149,571,930,505	0.10
Total District	\$15,913,106,573	100.00%		
Los Angeles County	\$15,913,106,573	100.00%	\$2,183,758,873,676	0.73%

Source: *California Municipal Statistics, Inc.*

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Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
2025-26 Assessed Valuation and Parcels by Land Use**

	2025-26 <u>Assessed Valuation⁽¹⁾</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
<u>Non-Residential:</u>				
Commercial	\$1,018,575,300	6.49%	360	1.87%
Vacant Commercial	19,977,565	0.13	33	0.17
Industrial	1,242,935,804	7.92	280	1.46
Vacant Industrial	50,139,208	0.32	51	0.27
Recreational	12,989,265	0.08	9	0.05
Miscellaneous	10,660,001	0.07	160	0.83
Government/Social/Institutional	<u>9,721,042</u>	<u>0.06</u>	<u>45</u>	<u>0.23</u>
Subtotal Non-Residential	\$2,364,998,185	15.06%	938	4.88%
<u>Residential:</u>				
Single Family Residence	\$11,766,079,481	74.94%	15,205	79.12%
Condominium/Townhouse	947,299,252	6.03	2,321	12.08
Mobile Home Park	11,752,563	0.07	3	0.02
2-4 Residential Units	17,639,886	0.11	22	0.11
5+ Residential Units/Apartments	180,864,794	1.15	4	0.02
Vacant Residential	<u>410,990,103</u>	<u>2.62</u>	<u>725</u>	<u>3.77</u>
Subtotal Residential	\$13,334,626,079	84.94%	18,280	95.12%
Total	\$15,699,624,264	100.00%	19,218	100.00%

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

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Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2025-26, including the median and average assessed value per single family parcel.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Per Parcel 2025-26 Assessed Valuation of Single Family Homes**

	No. of <u>Parcels</u>	2025-26 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	15,205	\$11,766,079,481	\$773,830	\$664,550

<u>2025-26 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$99,999	211	1.388%	1.388%	\$ 16,360,179	0.139%	0.139%
\$100,000 - \$199,999	652	4.288	5.676	95,728,598	0.814	0.953
\$200,000 - \$299,999	1,018	6.695	12.371	263,334,191	2.238	3.191
\$300,000 - \$399,999	1,720	11.312	23.683	603,021,311	5.125	8.316
\$400,000 - \$499,999	1,634	10.746	34.429	732,320,102	6.224	14.540
\$500,000 - \$599,999	1,484	9.760	44.189	815,487,899	6.931	21.471
\$600,000 - \$699,999	1,424	9.365	53.555	927,919,275	7.886	29.357
\$700,000 - \$799,999	1,411	9.280	62.835	1,057,417,853	8.987	38.344
\$800,000 - \$899,999	1,353	8.898	71.733	1,146,610,232	9.745	48.089
\$900,000 - \$999,999	1,015	6.675	78.408	961,539,214	8.172	56.261
\$1,000,000 - \$1,099,999	773	5.084	83.492	808,784,809	6.874	63.135
\$1,100,000 - \$1,199,999	464	3.052	86.544	531,693,937	4.519	67.654
\$1,200,000 - \$1,299,999	379	2.493	89.037	472,680,079	4.017	71.671
\$1,300,000 - \$1,399,999	308	2.026	91.062	415,959,303	3.535	75.207
\$1,400,000 - \$1,499,999	233	1.532	92.595	336,917,063	2.863	78.070
\$1,500,000 - \$1,599,999	193	1.269	93.864	298,318,432	2.535	80.605
\$1,600,000 - \$1,699,999	158	1.039	94.903	260,488,878	2.214	82.819
\$1,700,000 - \$1,799,999	129	0.848	95.751	225,898,416	1.920	84.739
\$1,800,000 - \$1,899,999	97	0.638	96.389	179,195,320	1.523	86.262
\$1,900,000 - \$1,999,999	68	0.447	96.837	132,448,623	1.126	87.388
\$2,000,000 and greater	<u>481</u>	<u>3.163</u>	100.000	<u>1,483,955,767</u>	<u>12.612</u>	100.000
	15,205	100.000%		\$11,766,079,481	100.000%	

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

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Largest Taxpayers

26. The table below sets forth the largest local secured taxpayers within the District in fiscal year 2025-

WALNUT VALLEY UNIFIED SCHOOL DISTRICT 2025-26 Largest Total Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	2025-26 <u>Assessed Valuation</u>	% of <u>Total</u> ⁽¹⁾
1.	Majestic Realty Co.	Industrial	\$ 214,854,735	1.37%
2.	Valley Industrial LLC	Industrial	115,247,157	0.73
3.	APEX 2015 LLC	Apartments	79,212,325	0.50
4.	Catellus Development Corp.	Industrial	69,119,460	0.44
5.	Sysco Continental Food Services	Industrial	60,929,676	0.39
6.	ROIC Diamond Hills Plaza LLC	Shopping Center	60,309,772	0.38
7.	Santa Fe Pacific Realty Corp.	Industrial	59,894,999	0.38
8.	TDP Currier LLC	Industrial	57,699,360	0.37
9.	Emerald Pointe Apartments LLC	Apartments	45,755,820	0.29
10.	HMDN Real Estate LLC	Industrial	45,015,957	0.29
11.	Wesco Properties Inc.	Shopping Center	41,054,092	0.26
12.	Hua Qing Enterprises LLC	Residential Properties	40,833,247	0.26
13.	Diamond Cycle Properties LLC	Office Building	38,831,375	0.25
14.	SLK Technology LLC	Industrial	37,992,384	0.24
15.	Bridgeway Drive Properties LLC	Office Building	35,215,817	0.22
16.	Essex Cal WA LP	Apartments	34,715,798	0.22
17.	Regal Julian LLC	Industrial	33,780,000	0.22
18.	ROIC DBTC LLC	Shopping Center	33,741,090	0.21
19.	Muller Rock 2 Gateway	Office Building	32,184,976	0.21
20.	Target Corporation	Commercial	<u>31,222,307</u>	<u>0.20</u>
			<u>\$1,167,610,347</u>	<u>7.44%</u>

⁽¹⁾ 2025-26 local secured assessed valuation: \$15,699,624,264.

Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2025-26 account for 7.44% of the secured assessed value in the District which is \$15,699,624,264. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2025-26 was Majestic Realty Co., accounting for 1.37% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.73% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 10068 located within the District for fiscal years 2021-22 through 2025-26.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Typical Tax Rate per \$100 Assessed Valuation (TRA 10068)⁽¹⁾**

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
1% County General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Walnut Valley Unified School District	0.100655	0.101181	0.106940	0.106809	0.105512
Mount San Antonio Community College District	0.046076	0.042669	0.038063	0.041134	0.058548
Metropolitan Water District	<u>0.003500</u>	<u>0.003500</u>	<u>0.003500</u>	<u>0.007000</u>	<u>0.007000</u>
Total	\$1.150231	\$1.147350	\$1.148503	\$1.154943	\$1.171060

⁽¹⁾ 2025-26 assessed valuation of TRA 10068 is \$2,166,697,559 which is 13.62% of the District’s total assessed valuation.
Source: *California Municipal Statistics, Inc.*

The Teeter Plan

The County does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the “Teeter Plan”), therefore, 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 District is not aware of any petitions for implementation of the Teeter Plan now pending in the County.

Secured Tax Charges and Delinquencies

The table below summarizes the annual secured tax levy and delinquencies within the District as of June 30 for fiscal years 2021-22 through 2024-25, the most recent data available. The County has not adopted the Teeter Plan. As a result, the District’s receipt of property taxes on the secured roll is subject to delinquencies.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges**

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2021-22	\$24,831,012.28	\$389,266.66	1.57%
2022-23	26,036,294.68	407,712.60	1.57
2023-24	27,360,236.13	481,702.06	1.76
2024-25	28,470,470.25	714,804.75	2.51

	<u>Secured Tax Charge⁽²⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2021-22	\$13,149,863.56	\$111,042.00	0.84%
2022-23	13,862,614.33	118,293.10	0.85
2023-24	15,313,499.78	141,750.52	0.93
2024-25	15,998,185.10	157,808.39	0.99

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.

⁽²⁾ Bond debt service levy.

Source: *California Municipal Statistics, Inc.*

Direct and Overlapping Debt

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

The following table is a statement of the District’s direct and estimated overlapping bonded debt as of April 1, 2026:

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness**

2025-26 Assessed Valuation: \$15,913,106,573

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/26</u>
Metropolitan Water District	0.374%	\$ 60,008
Mt. San Antonio Community College District	12.361	159,405,456
Walnut Valley Unified School District	100.000	203,168,741⁽¹⁾
City of Industry	6.533	<u>430,851</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$363,065,056
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.729%	\$27,430,515
Los Angeles County Superintendent of Schools Certificates of Participation	0.729	13,298
City of Diamond Bar General Fund Obligations	70.808	3,420,026
City of West Covina General Fund Obligations	0.750	<u>1,645,285</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$32,509,124
COMBINED TOTAL DEBT		\$395,574,180⁽²⁾

Ratios to 2025-26 Assessed Valuation:

Direct Debt (\$203,168,741).....	1.28%
Total Direct and Overlapping Tax and Assessment Debt.....	2.28%
Combined Total Debt	2.49%

⁽¹⁾ Excludes the Bonds 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.*

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DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State budget, enacted the Local Control Funding Formula ("LCFF") beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. The LCFF distributes resources to school districts through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant per unit of ADA under the LCFF is more than the average revenue limit under the prior funding system. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2025-26, the LCFF provides to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) \$11,323 per ADA for transitional kindergarten/kindergarten through grade 3; (b) \$10,411 per ADA for grades 4 through 6; (c) \$10,719 per ADA for grades 7 and 8; and (d) \$12,746 per ADA for grades 9 through 12. For fiscal year 2025-26, the LCFF also provides an adjusted add-on for Transitional Kindergarten ("TK") equal to \$5,545.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of a cost-of-living-adjustment ("COLA") is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2025-26, the COLA is 2.30%, a slight increase over fiscal year 2024-25. See "– 2025-26 State Budget" for information regarding the COLA for fiscal year 2025-26. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include TK to all four-year olds. This plan has been phased-in in cohorts of TK students over a four-year period, which will be complete in fiscal year 2025-26.

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

ADA and Enrollment

The following table sets forth the historical ADA (at P-2) and enrollment for fiscal years 2013-14 through 2024-25.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2013-14 through 2024-25**

Fiscal Year	ADA	Enrollment
2013-14	14,279	14,575
2014-15	14,249	14,532
2015-16	14,129	14,468
2016-17	14,162	14,519
2017-18	13,966	14,322
2018-19	13,578	13,879
2019-20	13,413	13,798
2020-21 ⁽¹⁾	13,428	13,439
2021-22	13,428	13,311
2022-23	12,925	13,543
2023-24	13,280	13,854
2024-25	13,644	14,220

¹ Due to the COVID-19 pandemic, Average Daily Attendance was irregularly reported in 2021. Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.
Source: *The District*.

District of Choice. In 1993 the State created the District of Choice program through the enactment of Assembly Bill 19. Under such program, a school district may declare itself to be a "District of Choice" and specify a number of students that it is willing to accept as inter-district transfers from other school districts. Students may apply to transfer to a District of Choice through an application process typically occurring prior to January 1 of the school year preceding the school year for which the transfer is being requested. The District of Choice program was initially implemented as a five-year program and has been subsequently extended by the State Legislature on various occasions. Most recently, the District of Choice was renewed through fiscal year 2027-28.

The District is the largest participating school district in the District of Choice program, accounting for approximately one-third of all of the student transfers across the State. Transfers under the DOC program are applicable for one school year and renewed automatically unless the District of Choice governing board adopts a resolution electing to no longer accept transfer pupils under the District of Choice program. As of

fiscal year 2025-26, the District has 4,652 non-resident transfer students (approximately 32.3% of enrollment) attending District schools, approximately 3,000 of which are attending District schools through the District of Choice program. Although the District currently intends to continue to participate in the District of Choice program in the future, the District can provide no assurances that it will continue to participate in such program or that such program will remain in effect. The District can also make no representation as to whether or to what extent the District's financial position would be affected by the expiration of, or discontinuation of participation in, the District of Choice program.

The following table sets forth the estimated ADA, enrollment and the percentage of EL/LI enrollment for fiscal year 2025-26, budgeted for fiscal year 2026-27 and projected for fiscal years 2027-28 through 2028-29.

WALNUT VALLEY UNIFIED SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2025-26 through 2028-29

Fiscal Year	ADA					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2025-26 ⁽¹⁾	3,594.33	3,178.03	2,455.55	4,646.97	13,718	13,874.88	33.86%
2026-27 ⁽²⁾	3,594.33	3,178.03	2,455.55	4,646.97	13,718	13,874.88	33.30
2027-28 ⁽³⁾	3,594.33	3,178.03	2,455.55	4,646.97	13,718	13,874.88	33.08
2028-29 ⁽³⁾	3,594.33	3,178.03	2,455.55	4,646.97	13,718	13,874.88	33.08

⁽¹⁾ Estimated.

⁽²⁾ Budgeted.

⁽³⁾ Projected, based on Second Interim Report.

Source: *The District*.

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

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current, prior year, or an average of the three prior years' ADA, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

Certain school districts, known as "community-funded" districts (formerly, "basic aid" districts), have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and

result in the receipt of no State apportionment aid. Community-funded school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community-funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as community funded and does not expect to in future fiscal years.

Recent deportation efforts initiated by the current presidential administration pose a potential risk to school districts relying on revenue from the LCFF. LCFF districts rely heavily on student attendance and enrollment numbers, and for certain districts, Supplemental and Concentration Grant add-ons for serving a high percentage of EL and LI students, to secure funding. If undocumented students or students who have undocumented parents cease attending school or face deportation, districts may experience a decrease in funding. The District cannot predict the potential changes to enrollment or attendance in response to the deportation efforts initiated by the presidential administration.

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

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

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

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

achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

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

In the last five years, the District has adopted its annual LCAP in compliance with the LCFF.

Revenue Sources

The District categorizes its General Fund revenues into four sources. Each of these revenue sources is briefly described below. See “-Percentage of Revenues by Source” below for the percentage of total General Fund revenues from each of the four sources of revenue for fiscal years 2021-22 through 2025-26.

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

Federal Revenues. The federal government provides funding under the Every Student Succeeds Act for several District programs, including special education programs.

On January 20, 2025, President Trump issued a series of executive orders, which include ensuring that federal funds are used in a manner approved by the current administration. In response to and in an effort to carry out such orders, on January 27, 2025, the White House Office of Management and Budget (“OMB”) released its memorandum M-25-13, Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs (the “OMB Memorandum”). The OMB Memorandum directed federal agencies to temporarily pause all activities related to obligation or disbursement of all federal financial assistance in order to review spending for consistency with the Trump Administration’s policies, stating that the temporary pause was to become effective at 5:00 p.m. on January 28, 2025. The OMB Memorandum caused uncertainty as to whether certain Federal funding and grants would be paused.

Before the OMB Memorandum became effective, two separate lawsuits were filed in federal district courts in Rhode Island and the District of Columbia challenging the OMB Memorandum and seeking injunctions. On January 28, 2025, shortly before the OMB Memorandum became effective, a District of Columbia federal judge issued an emergency administrative stay through February 3, 2025, at which time a preliminary injunction hearing was set. On January 29, 2025, OMB rescinded the OMB Memorandum. Although the OMB Memorandum was rescinded, the executive orders are in effect and the matter is ongoing as spending reviews are ongoing. On January 31, 2025, a Rhode Island federal judge issued a temporary restraining order on the pause. On February 3, 2025, the District of Columbia federal judge issued a temporary restraining order as well. On February 10, 2025, the Rhode Island federal judge granted a motion for a preliminary injunction and issued an Enforcement Order clarifying the scope of the temporary restraining order and ordering the Trump Administration to release federal funds and comply with the earlier order. The Trump Administration appealed the temporary restraining order to the U.S. Court of Appeals for the First Circuit. The Trump Administration’s request to stay the temporary restraining order pending appeal

was denied. The U.S. Department of Education released a letter, dated February 14, 2025, notifying schools and colleges to eliminate diversity, equity, and inclusion programs and initiatives by the end of the month or risk losing federal funding. The District cannot predict any action to be taken in carrying out the executive orders nor its effect on the District’s federal funding or operations of the District.

On March 20, 2025, President Trump signed an executive order aimed at terminating the United States Department of Education. On June 30, 2025, the Trump Administration announced it would be withholding approximately \$6.8 billion in federal funding due to be released on July 1, 2025 for certain Title I, II, III and IV programs, including migrant education, professional development, English-learner services, academic enrichment, before-and after-school programs, and adult basic and literacy education. In the June 30, 2025 announcement, the Trump Administration stated that such program grants were under review and no decision had yet been made for the upcoming academic year. The District cannot predict the types of possible federal funding cuts that may occur or the extent of such cuts, if any, however, the District does not expect the withholding of such federal funds to have a material impact on the District’s revenues or operations.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as instructional materials and various block grants.

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

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

Lease Receivables. The District has entered into lease agreements with various lessees as summarized in the table below.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Lease Agreement Revenues**

Lease Receivables	Balance July 1, 2024	Additions	Payments	Balance June 30, 2025
American Tower Cell Tower	\$3,859,287	\$ --	\$(3,859,287)	\$ --
Crown Castle Cell Tower	691,802	--	(31,074)	660,728
Verizon Cell Tower	<u>102,462</u>	--	<u>(6,964)</u>	<u>95,498</u>
Total	\$4,653,551	\$ --	\$(3,897,325)	\$756,226

Source: *The District.*

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Percentage of Revenues by Source

The following table presents each revenue source as a percentage of total General Fund revenues for fiscal years 2021-22 through 2025-26.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source⁽¹⁾
Fiscal Years 2021-22 through 2025-26**

Revenue Source	2021-22	2022-23	2023-24	2024-25	2025-26 ⁽²⁾
LCFF sources	74.02%	68.43%	74.41%	75.54%	80.75%
Federal revenues	6.44	4.07	3.3	1.97	1.90
Other State revenues	11.38	17.53	10.06	9.88	9.03
Other local revenues	8.16	9.97	12.21	12.62	8.33

⁽¹⁾ Percentages may not total to 100% due to rounding.

⁽²⁾ Budgeted.

Source: *The District*.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees collected by the District are \$5.17 per square foot for residential construction and \$0.84 per square foot of commercial/residential construction.

The following table sets forth developer fee revenues received by the District for the last five fiscal years, including the projected developer fee revenues for the current fiscal year.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Developer Fee Collections**

Fiscal Year	Developer Fees Collected
2021-22	\$ 450,646.73
2022-23	328,573.64
2023-24	1,455,162.16
2024-25	1,841,946.71
2025-26 ⁽¹⁾	1,262,101.00

⁽¹⁾ Budgeted.

Source: *The District*.

COVID-19 Outbreak and its Economic Impact

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

As a result of the various regulations imposed in order to slow the spread of COVID-19, economic activity within the State, the County and the community around and within the District suffered episodes of recession and/or depression. The District cannot predict whether a future pandemic may occur, the extent or duration of such an outbreak, or what impact it may have on the District's General Fund revenues. However, the Bonds are general obligations of the District payable solely from *ad valorem* property taxes and are not payable from the General Fund of the District. See "SECURITY FOR THE BONDS" herein.

Budget Procedures

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

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

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets may be disapproved if they fail the above conditions. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than November 8, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved.

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

In the past five fiscal years, the District's adopted budget has never been disapproved by the County Superintendent.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim reports with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The school district governing board must certify its financial condition as either positive, negative or qualified. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. The school district must file the report with the county superintendent of schools, who may either agree with the school district's certification or change the certification.

The District has filed positive certifications on each interim report in the last five fiscal years.

General Fund Budget. The District's General Fund adopted budgets for fiscal years 2021-22 through 2025-26, audited actuals for the fiscal years 2021-22 through 2024-25 and Second Interim Report data for fiscal year 2025-26 are set forth on the following page.

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**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING**

	Original Budget 2021-22	Audited Actuals 2021-22	Original Budget 2022-23	Audited Actuals 2022-23	Original Budget 2023-24	Audited Actuals 2023-24	Original Budget 2024-25	Audited Actuals 2024-25	Adopted Budget 2025-26	Second Interim Report 2025-26 ⁽¹⁾
REVENUES										
LCFF Sources	\$125,443,468	\$131,631,870	\$138,227,341	\$148,416,118	\$159,320,438	\$161,167,870	\$162,909,167	\$166,847,901	\$171,385,870	\$174,704,892
Federal	14,345,600	11,450,695	4,357,840	8,835,391	5,788,781	7,164,694	4,479,339	4,344,713	4,033,320	5,107,499
Other State	9,501,471	20,229,651	16,900,868	38,026,141	31,478,708	21,795,605	29,780,782	21,813,348	19,159,621	24,176,608
Other Local	<u>12,292,438</u>	<u>14,512,297</u>	<u>11,459,477</u>	<u>21,617,087</u>	<u>15,576,948</u>	<u>26,452,343</u>	<u>15,585,064</u>	<u>27,863,620</u>	<u>17,672,182</u>	<u>18,671,201</u>
Total Revenues	161,582,977	177,824,513	170,945,526	216,894,737	212,164,875	216,580,512	212,754,352	220,869,582	212,250,993	222,660,200
EXPENDITURES										
Certificated Salaries	70,712,439	72,214,298	71,846,242	80,274,840	80,839,592	94,305,781	91,315,481	93,337,034	94,163,106	94,670,633
Classified Salaries	20,856,274	23,916,106	21,887,578	24,560,635	24,705,460	29,566,795	27,295,481	30,024,179	29,320,497	29,904,780
Employee Benefits	42,346,239	47,988,551	49,600,921	50,607,271	52,362,698	56,179,226	58,480,818	58,966,228	60,769,782	60,825,429
Books and Supplies	10,479,131	7,278,660	9,655,487	7,525,830	24,556,885	8,873,216	17,389,935	8,300,369	6,848,732	10,271,224
Services, Other Operating Expenses	10,538,627	15,015,612	11,111,337	19,630,263	15,639,464	27,530,152	19,311,187	21,944,309	21,390,076	24,499,650
Capital outlay	262,590	1,638,751	156,062	3,504,426	1,249,055	4,991,946	1,301,605	9,246,856	251,000	4,538,436
Other Outgo	4,900,055	2,653,411	3,705,546	2,732,686	3,718,602	3,457,146	3,202,445	1,630,215	4,081,865	4,081,865
Debt Service – Principal	--	81,517	--	87,822	--	89,012	--	76,111	--	--
Debt Service – Interest and Other	--	15,197	--	10,195	--	14,181	--	14,261	--	--
Transfers of indirect costs	--	--	--	--	--	--	--	--	(265,026)	(257,210)
Total Expenditures	160,095,355	170,802,103	167,963,173	188,934,068	203,071,756 ¹	225,007,455 ¹	218,296,952 ¹	223,539,562	216,580,032	228,534,807
Excess (Deficiency) Of Revenues Over (Under) Expenditures	1,487,622	7,022,410	2,982,353	27,960,669	9,093,119	(8,426,943)	(5,542,600)	(2,669,980)	(4,329,039)	(5,874,607)
OTHER FINANCING SOURCES (USES)										
Transfers in	1,040,000	2,204,976	--	--	--	73,375	1,300,000	1,300,000	650,000	650,000
Other Sources	--	16,076	--	22,063	--	116,389	--	24,718	--	--
Transfers out	<u>(1,075,000)</u>	--	<u>(2,000,000)</u>	--	<u>(6,000,000)</u>	--	--	--	<u>75,000</u>	<u>75,000</u>
Total Other Financing Sources (Uses)	(35,000)	2,221,052	(2,000,000)	22,063	(6,000,000)	189,764	1,300,000	1,324,718	575,000	575,000
NET CHANGE IN FUND BALANCES										
Fund Balance, July 1	1,452,622	9,243,462	982,353	27,982,732	3,093,119	(8,237,179)	(4,242,600)	(1,345,262)	(3,754,039)	(5,299,607)
Fund Balance, June 30	<u>\$ 54,425,838</u>	<u>\$ 54,425,838</u>	<u>\$ 78,352,878</u>	<u>\$ 78,352,878</u>	<u>\$106,335,610</u>	<u>\$106,335,610</u>	<u>\$ 98,098,431</u>	<u>\$ 98,098,431</u>	<u>\$ 70,739,357</u>	<u>\$ 77,773,978</u>
Fund Balance, June 30	\$ 55,878,460	\$ 63,669,300	\$ 79,335,231	\$106,335,610	\$109,428,729	\$ 98,098,431	\$ 93,855,831	\$ 96,753,169	\$ 66,985,318	\$ 73,686,456

⁽¹⁾ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets. Source: *The District*.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2025 and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 880 S. Lemon Ave., Walnut, California 91789. See APPENDIX B hereto for the 2024-25 Audited Financial Statements of the District.

The table on the following page reflects the District's audited General Fund revenues, expenditures and fund balances from fiscal year 2021-22 to fiscal year 2024-25.

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WALNUT VALLEY UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2021-22 through 2024-25

	2021-22 Audit	2022-23 Audit	2023-24 Audit	2024-25 Audit
REVENUES				
LCFF Sources	\$131,631,870	\$148,416,118	\$161,167,870	\$166,847,901
Federal Revenues	11,450,695	8,835,391	7,164,694	4,344,713
Other State Revenues	20,229,651	38,026,141	21,795,605	21,813,348
Other Local Revenues	<u>14,512,297</u>	<u>21,617,087</u>	<u>26,452,343</u>	<u>27,863,620</u>
Total Revenues	177,824,513	216,894,737	216,580,512	220,869,582
EXPENDITURES				
Current				
Instruction	98,843,087	106,284,338	128,307,556	125,144,533
Instruction related activities:				
Supervision of instruction	4,698,474	5,322,001	5,808,214	6,177,369
Instructional library, media and technology	1,405,476	1,476,741	1,751,700	1,721,241
School site administration	10,724,625	11,562,748	13,455,510	13,359,691
Pupil services:				
Home-to-school transportation	2,695,840	3,261,924	3,351,758	3,523,998
Food services	231,218	221,499	127,954	876,237
All other pupil services	17,169,348	18,546,221	22,547,333	22,924,445
Ancillary Services	2,068,549	2,912,034	3,072,166	2,817,296
Enterprise Activities	402,217	590,697	1,935,547	1,674,309
General Administration:				
Data processing	1,287,326	1,406,473	1,327,183	1,133,887
All other general administration	8,076,353	10,768,755	12,344,072	10,658,811
Transfers of Indirect Costs				
Plant services	18,808,909	20,483,817	23,844,531	23,223,099
Facility acquisition and construction	1,083,253	3,043,159	3,497,876	8,006,880
Transfers to other agencies	3,100,444	2,955,644	3,532,862	2,207,394
Capital Outlay	1,638,751	3,504,426	4,991,946	9,246,856
Debt service				
Principal	81,517	87,822	89,012	76,111
Interest and other	<u>15,197</u>	<u>10,195</u>	<u>14,181</u>	<u>14,261</u>
Total Expenditures	170,802,103	188,934,068	225,007,455	223,539,562
Excess (Deficiency) of Revenues				
Over Expenditures	7,022,410	27,960,669	(8,426,943)	(2,669,980)
OTHER FINANCING SOURCES (USES):				
Transfers In	2,204,976	--	73,375	1,300,000
Other Sources	<u>16,076</u>	<u>22,063</u>	<u>116,389</u>	<u>24,718</u>
Net Financing Sources	2,221,052	22,063	189,764	1,324,718
NET CHANGE IN FUND BALANCES				
	9,243,462	27,982,732	(8,237,179)	(1,345,262)
Fund Balances at Beginning of Year	\$54,425,838	\$ 78,352,878	\$106,335,610	\$98,098,431
Fund Balances at End of Year	\$63,669,300	\$106,335,610	\$ 98,098,431	\$96,753,169

Source: *The District.*

Accounting Practices

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

State Budget Measures

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

2025-26 State Budget. On June 27, 2025, Governor Newsom signed the 2025-26 State Budget, subsequent to the State Legislature passing several pieces of legislation comprising the 2025-26 State Budget bill, including Senate Bill 101 and Assembly Bill 102. The 2025-26 State Budget addresses a projected \$11.8 billion shortfall through spending cuts, borrowing, and other solutions. The 2025-26 State Budget includes statutory changes to address the State's housing affordability challenges and facilitate housing and infrastructure production. Because the 2025-26 State Budget was approved in late June 2025, it does not reflect the impact of the cuts in federal spending included in the federal omnibus tax and spending bill signed in early July 2025.

The 2025-26 State Budget projects approximately \$215.7 billion in general fund revenues with a prior year balance of \$35.1 billion for total resources of approximately \$250.9 billion, and \$228.4 billion in expenditures for fiscal year 2025-26. For fiscal year 2024-25, the 2025-26 State Budget estimates \$268.7 billion in total resources and \$233.6 billion in expenditures. The 2025-26 State Budget contains total reserves of approximately \$15.7 billion, including \$11.2 billion in the Rainy-Day Fund and \$4.5 billion in the reserve for economic uncertainty. The 2025-26 State Budget maintains the withdrawal of the \$8.4 billion balance in the PSSSA in fiscal year 2023-24 and includes the scheduled \$7.1 billion BSA withdrawal in fiscal year 2025-26 which was also included in the fiscal year 2024-25 State Budget. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein for more information regarding school district reserves.

The 2025-26 State Budget provides total TK-12 funding of \$137.6 billion (\$80.5 billion general fund and \$57.1 billion from other funds) and includes per pupil funding of over \$25,000 per student. Revised estimates of General Fund revenues in the 2025-26 State Budget result in adjusted Proposition 98 Guarantee amounts of \$98.5 billion in fiscal year 2023-24, \$119.9 billion in fiscal year 2024-25, and \$114.6 billion in fiscal year 2025-26, an increase of approximately \$3.9 billion over the three-year period relative to the 2024-25 State Budget. The 2025-26 State Budget also shifts \$232.9 million in Proposition 98 resources from community colleges to TK-12 schools to implement the expansion of transitional kindergarten.

The LCFF under the 2025-26 State Budget receives a COLA of 2.3%. To fully fund the LCFF, approximately \$405.3 million of the \$8.4 billion withdrawal from the PSSSA will support LCFF costs in fiscal year 2025-26. While the 2025-26 State Budget fully repays budgetary deferrals of \$246.6 million from fiscal year 2024-25, \$1.9 billion in LCFF funding is deferred from June 2026 to July 2026 in order to maintain the level of fiscal year 2025-26 principal apportionments.

Additional significant provisions of the 2025-26 State Budget relating to TK-12 education include the following:

- *Transitional Kindergarten* — \$2.1 billion Proposition 98 funds (inclusive of all prior years' investments) to support the full implementation of universal TK; and an additional \$1.2 billion ongoing Proposition 98 funds to support lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.
- *Expanded Learning Opportunities Program* — \$515.1 million for the full implementation of the program by increasing the number of elementary schools that offer universal access to all those in school districts with at least 55% unduplicated students and \$10.4 million to increase the minimum grant amount from \$50,000 to \$100,000 per school district.
- *Literary Instruction* — \$480 million to support literacy instruction, including one-time Proposition 98 funds to expand the existing Literacy Coaches and Reading Specialists Grant Program and to support evidence-based professional learning for elementary school educators.
- *Teacher Preparation and Professional Development* — \$300 million one-time Proposition 98 funds to establish the Student Teacher Stipend Program, providing \$10,000 grants to teacher candidates beginning in the 2026-27 school year, and available through the 2028-29 school year; \$70 million one-time Proposition 98 funds to increase funding for high-quality teacher residency programs; and \$30 million one-time Proposition 98 funds to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified teachers to teach in high poverty schools.
- *Student Support and Professional Development Discretionary Block Grant* — \$1.7 billion one-time Proposition 98 funds for the Student Support and Professional Development Discretionary Block Grant to provide school districts with additional discretionary fiscal support in recognition of rising costs and to fund statewide priorities.
- *State Preschool* — \$19.3 million Proposition 98 funds and \$10.2 million non-Proposition 98 funds for the California State Preschool Program to support the cost of care.
- *Learning Recovery Emergency Block Grant* — \$378.6 million one-time Proposition 98 funds to support the Learning Recovery Emergency Block Grant to establish learning recovery initiatives through the 2027-28 school year.
- *Career Technical Education* — \$150 million one-time Proposition 98 funds for career technical education and career pathways programming, subject to pending legislation.
- *Universal School Meals Support Grant* — \$145 million one-time Proposition 98 funds for specialized kitchen equipment, infrastructure, training, and procurement of sustainably grown food to support schools in providing more freshly prepared meals; \$10 million one-time Proposition 98 funds to recruit and retain school food service workers; and \$5 million one-time Proposition 98 funds for a study of ultra-processed foods offered in California school meals.
- *Summer Electronic Benefits Transfer (SUN Bucks)* — \$21.9 million in additional ongoing Proposition 98 funds to support the SUN Bucks Program, which provides nutrition funding to eligible students during the summer months. These funds will provide the match to an equal amount of federal funds to support the program.

- *Children and Youth Behavioral Health Initiative Grants* — \$20 million one-time Proposition 98 funds to support the implementation of the Children and Youth Behavioral Health Initiative’s all-payer fee schedule.
- *Secondary School Redesign Pilot Program* — \$10 million one-time Proposition 98 funds for the California Collaborative of Educational Excellence to administer a pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes.
- *English Language Proficiency Screener for TK Students* — \$10 million one-time Proposition 98 funds for the statewide use of English language proficiency of a list of one or more screeners to support multilingual learners in TK.
- *TK Multilingual Learner Supplementary Funding* — \$7.5 million one-time Proposition 98 funds to mitigate reductions in potential LCFF apportionment funding resulting from the recent exemption of TK students from the English language proficiency assessment.

Proposed 2026-27 State Budget. The proposed budget for fiscal year 2026-27 for the State (“Proposed 2026-27 State Budget”) was released by the Governor on January 9, 2026. The Proposed 2026-27 State Budget forecast reflects general fund revenues that are higher by more than \$42 billion for the period from fiscal year 2024-25 through fiscal year 2026-27, than projected at the 2024-25 State Budget. The increase is driven by higher cash receipts, higher stock market levels, and an improved economic outlook. At the same time, constitutional funding requirements, the need for an adequate discretionary budget reserve, and higher program costs exceed the level of increased revenues, resulting in a projected shortfall of \$2.9 billion. As a result, the Proposed 2026-27 State Budget focuses on implementation of previous investments and does not include new significant spending proposals.

While the Proposed 2026-27 State Budget is balanced in fiscal year 2026-27, with a discretionary reserve of \$4.5 billion, it projects a deficit of roughly \$22 billion in fiscal year 2027-28 and shortfalls in the two years following. Over the last two fiscal years, the State has withdrawn approximately \$12.2 billion from the BSA and suspended deposits into the BSA for fiscal years 2024-25 and 2025-26. Consistent with these actions, the Proposed 2026-27 State Budget suspends a \$2.8 billion “true-up” deposit into the BSA in fiscal year 2025-26. However, the Proposed 2026-27 State Budget reflects a BSA deposit in fiscal year 2026-27 of approximately \$3 billion and a minor “true-up” for fiscal year 2024-25. Accounting for these actions, the BSA balance in fiscal year 2026-27 is \$14.4 billion, an increase compared to the 2025-26 State Budget level of \$11.2 billion. In addition, the Proposed 2026-27 State Budget includes \$4.5 billion in the Special Fund for Economic Uncertainties and \$4.1 billion in the Proposition 98 Rainy Day Fund, bringing the combined amount of reserves in fiscal year 2026-27 to roughly \$23 billion.

The Proposed 2026-27 State Budget states that federal policy changes, including House of Representatives (H.R.) 1 of 2025 (“H.R. 1”), which included changes for Health and Human Services programs, are projected to result in costs of \$1.4 billion general fund resources fiscal year 2026-27. Of this amount, \$1.1 billion in additional costs are in Medi-Cal. In addition, H.R. 1 will add nearly \$300 million in costs to CalFresh, the state’s Supplemental Nutrition Assistance Program providing food purchase assistance for adequate nutrition to more than 3 million State households.

The Proposed 2026-27 State Budget proposes spending of \$348.9 billion in total State funds, consisting of approximately \$248.3 billion from the General Fund, \$93.7 billion from special funds, and \$6.9 billion from bond funds. The Proposed 2026-27 State Budget includes total funding of \$149.1 billion (\$88.7 billion General Fund and \$60.4 billion other funds) for all TK-12 education programs. TK-12 per pupil funding totals \$20,427 general funds, a 74.6% increase over fiscal year 2018-19, and \$27,418

per pupil when accounting for all funding sources, a 60.8% increase over fiscal year 2018-19. Both per pupil amounts are the highest level ever for California schools.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2026-27 State Budget include the following:

- Proposition 98. The Proposed 2026-27 State Budget reflects Proposition 98 funding levels of \$123.8 billion in fiscal year 2024-25, \$121.4 billion in fiscal year 2025-26, and \$125.5 billion in fiscal year 2026-27, representing an increase of approximately \$21.7 billion relative to the 2024-25 State Budget. At the beginning of the three-year budget window, the Proposition 98 Guarantee had an outstanding maintenance factor balance of \$8.3 billion. At the 2024-25 State Budget, there was a projected mandatory maintenance factor payment of \$5.5 billion in fiscal year 2024-25. Revised Proposition 98 factors have increased that payment amount in the Proposed 2026-27 State Budget to \$7.8 billion. No other mandatory payments are projected in fiscal years 2025-26 or 2026-27, leaving a \$584.6 million maintenance factor balance at the end of fiscal year 2026-27. The 2024-25 State Budget created \$1.9 billion in settle-up in fiscal year 2024-25. The Proposed 2026-27 State Budget proposes to fully repay the settle-up balance in fiscal year 2024-25. Additionally, the Proposed 2026-27 State Budget proposes creating \$5.6 billion in settle-up in fiscal year 2025-26. This means that the funded level of the Guarantee in fiscal year 2025-26 is \$115.9 billion, instead of the calculated amount of \$121.4 billion. This is intended to mitigate the risk of potentially appropriating more resources to the Guarantee than are ultimately available in the final calculation for fiscal year 2025-26. The Guarantee continues to be in a Test 1 for fiscal years 2024-25, 2025-26, and 2026-27.
- Proposition 98 Rainy Day Fund. As a result of adjustments in capital gains revenues in the Proposed 2026-27 State Budget, a deposit of \$3.8 billion is required in fiscal year 2024-25, eliminating the mandatory withdrawal in fiscal year 2025-26 and replacing it with a mandatory deposit of \$424.3 million, and requiring a mandatory withdrawal of \$407.1 million in fiscal year 2026-27. Additionally, the Proposed 2026-27 State Budget proposes a discretionary deposit of \$240 million in fiscal year 2025-26, further increasing the Proposition 98 safety net. At the end of the three-year budget window, the total balance in the Proposition 98 Rainy Day Fund is \$4.1 billion. There is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the Proposition 98 Rainy Day Fund is equal to or greater than 3% of the total TK-12 share of the Proposition 98 Guarantee. The balance in the Proposition 98 Rainy Day Fund triggers school district reserve caps in fiscal years 2025-26 and 2026-27.
- Local Control Funding Formula. The Proposed 2026-27 State Budget includes an LCFF cost-of-living adjustment of 2.41%. The cost-of-living adjustment, when combined with population growth adjustments, increases discretionary funding for local education agencies (“LEAs”) by approximately \$2 billion. Additionally, budgetary deferrals of \$1.9 billion for TK-12 education are fully repaid in fiscal year 2026-27. The Proposed 2026-27 Budget also includes an ongoing increase of \$30.7 million Proposition 98 General Fund to provide a 20% increase in LCFF funding for Necessary Small Schools, which is the funding formula for the smallest schools in the state.
- State Education Governance. The Proposed 2026-27 State Budget proposes to implement the 2002 “California’s Master Plan for Education” recommendation to amend the Education Code to move oversight authority of the management of the California Department of Education and support of LEAs under the State Board of Education. The Proposed 2026-27 State Budget further proposes to provide the State Superintendent of Public Instruction the ability to strengthen

coordination and alignment among the bodies setting policy from early childhood through postsecondary education.

- Community Schools. The Proposed 2026-27 State Budget proposes \$1 billion ongoing Proposition 98 general fund resources to expand the community school model to more school sites that have large concentrations of students from low-income families, English learners, and youth in foster care. To date approximately 2,500 schools in California have received community schools grants through the California Community Schools Partnership Program; this new funding would provide ongoing resources for these grantees and expand access to the model to thousands of additional high-need schools.
- Special Education. The Proposed 2026-27 State Budget proposes an increase of \$509 million ongoing Proposition 98 general fund resources to increase special education base rates. This additional funding will allow for full equalization of special education rates across the state, meaning that all LEAs will now receive the same rate per pupil for state special education funding.
- Master Plan for Career Education: TK-12 Education. The Proposed 2026-27 State Budget proposes: (1) \$100 million one-time Proposition 98 general fund resources to increase access to college and career pathways for high school students, including expanding access to dual enrollment and dual credit opportunities, and (2) including prioritizing creation and expansion of dual enrollment and pathways programs with funds allocated through the \$2.8 billion Student Support and Discretionary Block Grant.
- Before, After and Summer School. The Proposed 2026-27 State Budget proposes \$62.4 million ongoing Proposition 98 general fund resources to provide a guaranteed \$1,800 per pupil for Tier 2 LEAs, stabilizing the existing variable Tier 2 rate. With this increase, total ongoing program funding is \$4.7 billion Proposition 98 general fund resources.
- Teacher Preparation. The Proposed 2026-27 State Budget includes \$250 million one-time Proposition 98 general fund resources to continue educator residency programs through 2029-30. California has invested \$620 million in residency programs over the last five years; these funds will be fully awarded by the end of fiscal year 2025-26.
- Student Support and Professional Development Discretionary Block Grant. The Proposed 2026-27 State Budget proposes \$2.8 billion one-time Proposition 98 general fund resources to provide LEAs with additional fiscal support to manage attendance and enrollment declines, including those caused by federal government immigration actions, and address rising costs. The funds will also support implementation of statewide priorities including: including: (1) professional development for teachers on the English Language Arts/English Language Development (ELA/ELD) Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners; (2) professional development for teachers on the Mathematics Framework; (3) teacher recruitment and retention strategies; (4) professional development for TK teachers and site administrators on the principles and guidelines of developmentally appropriate TK instruction; and (5) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.
- Charter School Accountability. The Proposed 2026-27 State Budget proposes new requirements for charter schools to ensure that public funds are properly utilized, address fraud and malfeasance, and improve accountability and oversight. It also provides for the use of verified data in the charter school renewal process until June 30, 2028.

- School Facilities. The recently approved Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (Proposition 2) authorizes a total of \$8.5 billion in state General Obligation bonds for TK-12 schools to be allocated through the School Facility Program. These funds are allocated across several key areas: \$4 billion for modernization projects, \$3.3 billion for new construction, \$600 million for charter schools, and \$600 million for career technical education projects. The Proposed 2026-27 State Budget continues to allocate \$1.5 billion Proposition 2 bond funds to support school construction projects in fiscal year 2026-27, similar to amounts allocated in prior years.

Additional budgeted programs and adjustments for K-12 education set forth in the Proposed 2026-27 State Budget include the following:

- Learning Recovery Emergency Block Grant. The Proposed 2026-27 State Budget provides \$757.3 million in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant, which supports LEAs in establishing learning recovery initiatives through the 2027-28 school year. This investment is expected to be the final payment to this program, which has received multi-year investments totaling \$7.2 billion in past budgets to support schools in learning recovery efforts related to the COVID-19 Pandemic.
- Home-to-School Transportation. The Proposed 2026-27 State Budget includes \$322 million one-time and \$239.2 million ongoing Proposition 98 general fund to reflect higher costs in the Home-to-School Transportation Program.
- Cost-of-Living Adjustments. The Proposed 2026-27 State Budget proposes \$228.2 million ongoing Proposition 98 general fund resources to reflect a 2.41% COLA for specified categorical programs and the LCFF Equity Multiplier. The specified categorical programs include Special Education, Child Nutrition, State Preschool, Foster Youth Services Coordinating Program, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- Kitchen Infrastructure and Training. The Proposed 2026-27 State Budget proposes \$100 million one-time Proposition 98 general fund for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- Reading Difficulties Risk Screening. The Proposed 2026-27 State Budget proposes \$40 million one-time Proposition 98 general fund resources to support continued implementation of student reading difficulties screenings.
- L.A. County School Wildfire Recovery. The Proposed 2026-27 State Budget proposes \$22.9 million one-time Proposition 98 general fund resources to support LEAs that are continuing to recover from the January 2025 Los Angeles County wildfires.
- Universal and Targeted Assistance. The Proposed 2026-27 State Budget proposes \$13.3 million additional ongoing Proposition 98 general fund resources, for a total of \$131.9 million, for county offices of education to provide universal and targeted support to school districts and charter schools, including those eligible for differentiated assistance.

- Fiscal Crisis and Management Assistance Team (FCMAT). The Proposed 2026-27 State Budget proposes \$994,000 in additional ongoing Proposition 98 general fund resources to support increased FCMAT workload.
- California School Information System (CSIS). \$966,000 in additional ongoing Proposition 98 General Fund to support increased CSIS costs.
- Curriculum-Embedded Performance Tasks for Science. The Proposed 2026-27 State Budget proposes \$890,000 ongoing Proposition 98 general fund resources to maintain performance task resources at the Los Angeles County Office of Education in support of inquiry-based science instruction and the state’s Next Generation Science Standards.
- K-12 High Speed Network. The Proposed 2026-27 State Budget proposes \$629,000 in additional ongoing Proposition 98 general fund resources to support the K-12 High Speed Network program.
- County Offices of Education LCFF. The Proposed 2026-27 State Budget proposes an ongoing decrease of \$15.6 million Proposition 98 general fund resources to reflect ADA changes applicable to the county office of education LCFF, and a 2.41% COLA adjustment.
- School Nutrition Programs. The Proposed 2026-27 State Budget proposes an ongoing decrease of \$67.9 million Proposition 98 general fund resources to support the Universal School Meals program, reflecting a reduction in fiscal year 2025-26 estimates compared to the 2025-26 State Budget projections and an increase in meal reimbursement rates.
- Local Property Tax Adjustments. The Proposed 2026-27 State Budget proposes a decrease of \$18 million Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2025-26, and a decrease of \$1.4 billion ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2026-27, resulting from increased offsetting property taxes.

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

The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools.

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CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

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

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

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of principal of and interest on the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

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

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

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

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

Article XIII B of the California Constitution

Article XIII B of the State Constitution (“Article XIII B”), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living

and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

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

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

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution

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

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a

“general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. Proposition 26 does not apply to the levy of *ad valorem* taxes to pay general obligation bonds, including 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 the State General Fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one year period.

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

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

Proposition 111

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

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

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

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

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

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

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State General Fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State General Fund revenues (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State General Fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, K-14 school districts 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) changed existing statutory law regarding charter school facilities. As adopted, the constitutional amendment may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure.

Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State’s authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State’s General Fund and transportation funds, the State’s main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst’s Office (the “LAO”) on July 15,

2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately \$1 billion annually for several decades.

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

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

Proposition 30

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

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

Proposition 55

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

Proposition 2

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

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

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or General Fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of General Fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 PSSSA which serves as a reserve account for school funding in years when the State budget is smaller.

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

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

Reserve for Economic Uncertainty. The District is required to maintain a reserve for economic uncertainties at least equal to 3.00% of General Fund expenditures and other financing uses. On June 30, 2025, the District had unassigned available reserves of \$6,705,445, or 3.00% of General Fund expenditures and other financing uses.

Proposition 2 (Facilities)

K-12 School Facilities. The State school facilities bond approved by voters on November 5, 2024 (the "2024 State School Facilities Bond") includes \$3.3 billion for the new construction of K-12 facilities and an additional \$4 billion for the modernization of existing K-12 facilities. Up to \$10 million of the allocation for new constructions will be reserved for small school districts with an enrollment of fewer than 2,501 students. Of the \$4 billion assigned for modernization of existing K-12 facilities, up to \$115 million will be allocated for the repairment of lead in water at school facilities. Generally, K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. However, some districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of \$1.2 billion will be available for the modernization and new construction of charter school facilities (\$600 million) and technical education facilities (\$600 million). The State will award funds to technical education and charter school through an application process, and charter schools must be deemed financially sound before project approval.

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

The District makes no representation or guarantees that it will either pursue or qualify for facilities funding under the 2024 State School Facilities Bond.

Proposition 28

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

As a condition to receipt of funds under Proposition 28, school districts must certify that funds are to be used for arts education and that funds received in the prior fiscal year were, in fact, used for those purposes. Additionally, no more than 1% of Proposition 28 funds may be used for administrative purposes in implementing Proposition 28 programs. Schools with 500 or more students must certify that at least 80% of the funding is to be used to employ teachers and that the remainder will be spent on training, supplies, and education partnerships. Amounts appropriated under Proposition 28 in a given year may be reduced if the State legislature suspends the Proposition 98 guarantee but only in an amount equal to the percent reduction of the Proposition 98 guarantee. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures – 2025-26 State Budget” for information regarding Proposition 28.

Future Initiatives. Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues, particularly revenues from the State, 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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WALNUT VALLEY UNIFIED SCHOOL DISTRICT

Introduction

The District is situated in the southeastern portion of the County about 25 miles from downtown Los Angeles and encompasses an area of approximately 21.5 square miles. The District was formed in 1970 and includes portions of the cities of Walnut, Diamond Bar, Industry, and West Covina, as well as certain unincorporated County areas. The District currently operates nine elementary schools, three middle schools, two comprehensive high schools, and one continuation high school. For fiscal year 2025-26, the District has budgeted funded average daily attendance (“ADA”) to be 13,718 students. The total assessed valuation of taxable property within the District for fiscal year 2025-26 is \$15,913,106,573.

Board of Trustees

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

BOARD OF TRUSTEES

Name	Office	Term Expires November
Y. Tony Torng, Ph.D.	President	2026
Cynthia M. Ruiz	Vice President	2026
Helen M. Hall	Clerk	2026
Layla Abou-Taleb	Member	2028
Larry L. Redinger	Member	2028

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Walnut Valley Unified School District, 880 S. Lemon Ave., Walnut, California 91789, Attention: Superintendent. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of the District and biographies of the Superintendent and Deputy Superintendent, Business Services Division follow.

Name	Title
Robert P. Taylor, Ed.D.	Superintendent
Matthew A. Torres, Ed.D.	Deputy Superintendent, Business Services
Diane L. Perez, Ed.D.	Assistant Superintendent, Human Resources
Jeanette J. Koh, Ed.D.	Assistant Superintendent, Educational Services
Dinah Felix	Chief Operating Officer

Robert P. Taylor, Ed.D. – Superintendent. Dr. Taylor was appointed Superintendent of the District effective July 1, 2013. Immediately prior to becoming Superintendent of the District, he served as Deputy Superintendent for the Corona-Norco Unified School District. Dr. Taylor received his bachelor’s degree from the University of Redlands, his master’s degree from Azusa Pacific University and his doctoral degree in Educational Leadership from Azusa Pacific University.

Matthew Torres, Ed.D. – Deputy Superintendent, Business Services. Dr. Torres was appointed Deputy Superintendent of Business Services of the District in June 2024 previous to which he served as an Assistant Superintendent in the District since 2018. Prior to joining the District, Dr. Torres served as the Assistant Superintendent and Chief Business Officer of the Fruitvale School District in Kern County. Dr. Torres earned his bachelor’s degree from Pepperdine University, his master’s degree from the University of La Verne, and his doctoral degree in Educational Leadership from the University of Southern California. Dr. Torres also earned a School Business Management Program Certificate from the University of Southern California.

Employees and Labor Relations

The District has budgeted for approximately 695 full-time equivalent certificated academic professionals as well as approximately 408 full-time equivalent classified employees and approximately 98 full-time management employees.

District employees, except management and some part-time employees, are represented by two bargaining units as noted in the table below.

**BARGAINING UNITS
Walnut Valley Unified School District**

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Walnut Valley Educators Association	700	June 30, 2027
California School Employees Association	565	June 30, 2027

Source: *The District*.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (State Education Code Sections 47600-47663) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State’s charter school law states that local boards are the primary charter-approving agency and that county boards of education can approve a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to any independent and District-operated charter schools established within its boundaries. However, any independent charter schools would receive funding directly from the State, and such funding would not be reported in the District’s audited financial statements. Any District-operated charter schools would receive funding through the District, and such funding would be reflected in the District’s audited financial statements.

The District does not currently authorize, or have any County- or State- approved charter schools operating within its boundaries.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the California State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries, under a defined benefit program (the "STRS Defined Benefit Program").

Benefit provisions and employer contributions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. For fiscal year 2025-26, the District is required by such statutes to contribute 19.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.828% of teacher payroll for fiscal year 2025-26. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria, and a contribution of 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16, and will continue to increase annually as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay for employees ("Classic Members") hired before the Implementation Date (defined herein) and 10.205% for employees ("PEPRA Members") hired after the Implementation Date (defined herein), over the three-year period from 2014-15 through 2017-18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Teachers' Retirement Board (the "STRS Board") is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Board, is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to AB 1469, school districts’ employer contribution rates increased over a seven-year phase-in period beginning in fiscal year 2014-15 through fiscal year 2019-20 when employer contribution rates reached 17.1% (including certain reductions in the contribution rate for supplemental payments made by the State in fiscal years 2019-20 and 2020-21).

Recent Investment Returns. In fiscal years 2023-24 and 2024-25, STRS realized net return on investments of 8.4% and 8.5% respectively, exceeding its investment rate of return assumption of 7.0% in both years. The STRS pension system is ahead of schedule in reaching full funding by 2046.

The District contributed \$11,067,648 to STRS for fiscal year 2020-21, \$11,996,004 for fiscal year 2021-22, \$15,065,018 for fiscal year 2022-23, \$16,790,438 for fiscal year 2023-24, and \$17,413,419 for fiscal year 2024-25. The District has budgeted a contribution of \$24,840,778 to STRS for fiscal year 2025-26.

With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the California Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees’ Retirement Law. The District is currently required to contribute to PERS at an actuarially determined rate, which is 26.81% of eligible salary expenditures for fiscal year 2025-26, while Classic Members contribute at a rate established by statute which is 7% of their respective salaries, and PEPRA Members contribute at an actuarially determined rate which is 8.00% of their respective salaries. See –“California Public Employees’ Pension Reform Act of 2013” below.

On April 14, 2026, the PERS Board adopted the fiscal year 2026-27 contribution rate for school districts of 26.40% and projected future contribution rates as follows:

Fiscal Year	Projected Employer Contribution Rates (PERS Actuarial Report) ⁽¹⁾
2027-28	26.80%
2028-29	25.90
2029-30	25.10
2030-31	24.00
2031-32	23.80

⁽¹⁾ As of April 14, 2026.

Recent Investment Returns. From its Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which was PERS’ first negative return on investments since fiscal year 2008-09. However, PERS Basic Financial Statements for fiscal year ended June 30, 2023 and for fiscal year ended June 30, 2024 reported investment returns of 6.1% and 9.5%, respectively. Most recently, on July 14, 2025, PERS reported a preliminary investment return of 11.6% for the fiscal year ended June 30, 2025.

The District contributed \$4,218,665 to PERS for fiscal year 2020-21, \$5,221,448 for fiscal year 2021-22, \$6,186,082 for fiscal year 2022-23, \$7,985,713 for fiscal year 2023-24, and \$7,986,378 for fiscal year 2024-25. The District has budgeted a contribution of \$7,281,086 to PERS for fiscal year 2025-26.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS as of June 30, 2024 and STRS as of June 30, 2024.

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

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
California Public Employees Retirement Fund (PERS)	\$133,978	\$ 93,187	\$(40,791)
California State Teachers' Retirement Fund Defined Benefit Program (STRS)	380,507	321,910	(85,532) ⁽¹⁾

⁽¹⁾ Amount does not account for the Supplemental Benefit Maintenance Account Reserve amount of \$26,935.
Source: *PERS State & Schools Actuarial Valuation*; *STRS Defined Benefit Program Actuarial Valuation*.

Unlike PERS, STRS contribution rates for participant employers, Classic Members and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS PEPRA Members will vary from year-to-year based on actuarial valuations. See “ – California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been less than actuarially required amounts. As a result, and due in part to investment losses, STRS continues to maintain an unfunded liability. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62

and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

The District’s proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2025, are as shown in the following table.

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>
STRS	\$88,915,031
PERS	<u>50,979,809</u>
Total	\$139,894,840

Source: *The District.*

For further information about the District’s contributions to PERS and STRS, see Note 13 in the District’s audited financial statements for fiscal year ended June 30, 2025 attached hereto as APPENDIX B.

School districts’ retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current or future

financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District's contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to financial market conditions such as recession or inflation.

Other Post-Employment Benefits

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

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

Employees who are eligible to receive retiree employment benefits other than pensions while in retirement must meet specific criteria, *i.e.*, age and years with the District. Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units.

Plan Description. The post-employment benefit plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District that provides medical, dental and vision insurance benefits to eligible retirees and their spouses (the "Benefits"). Eligibility for the Benefits varies primarily by the date on which a retiree was hired and total years of service. At June 30, 2024, the valuation date, 76 retirees and their beneficiaries were receiving Benefits with 1,137 active employees earning service credit towards eligibility.

Funding Policy. The District's funding policy is based on a "pay-as-you-go" basis to cover the cost of premiums for current retirees, with additional amounts from surplus available funds, as determined annually by the Board, to begin funding its accrued liability for the Benefits. The District realized expenditures in connection with the Benefits in fiscal years 2021-22 through 2024-25 of \$890,000, \$749,827, \$1,091,367 and \$1,216,999, respectively. The District has budgeted \$645,000 of expenditures for the Benefits for fiscal year 2025-26.

The District has established a Special Reserve for Post-Employment Benefits to begin funding its accrued liability for the Benefits, into which the District, from time to time, transfers excess funds. As of June 30, 2025, the balance in this fund was \$9,572,332. This fund, however, has not been irrevocably pledged to the payment of the Benefits, and can be accessed for other purposes upon Board action.

Accrued Liability. The District has implemented GASB 75 pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the program benefits. The most recent actuarial study had a valuation date of July 1, 2024, and a total OPEB liability of \$23,109,784.

Medicare Premium Payment Program. The District participates in the Medicare Premium Prepayment Program (“MPP Program”), a cost-sharing multiple-employer OPEB plan. The MPP Program is funded on a pay-as-you-go basis and pays Medicare Part A premiums and Medicare Part A and B late enrollment surcharges for eligible members. Members who retire on or after July 1, 2012 are not eligible for coverage under the MPP Program. As of June 30, 2025, the District pays medical benefits for 123 individuals.

The following table shows the changes in the net Benefits based on a measurement date of June 30, 2025 and a valuation date of June 30, 2024.

	<u>Total OPEB Liability</u>
Balance at July 1, 2024	\$24,171,753
Service Cost	1,966,187
Interest	964,671
Changes of assumptions or other inputs	(2,775,828)
Benefit payments	(1,216,999)
Net Change in total OPEB liability	(1,061,969)
Balance at June 30, 2025	\$23,109,784

Source: *The District*.

For further information about the District’s other post-employment benefits and liabilities, see Note 10 in the District’s audited financial statements for fiscal year ended June 30, 2025 attached hereto as APPENDIX B.

Risk Management and Joint Powers Agreements

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. The District is a member of Alliance of Schools for Cooperative Insurance Programs (“ASCIP”). The relationship between the District and ASCIP is such that the joint powers authority is not a component unit of the District for financial reporting purposes.

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (“ASCIP”) for workers’ compensation, property and liability insurance coverage. The District is also a member of the East San Gabriel Valley Regional Occupational Program (“ESGVROP”) joint powers authority.

For fiscal year 2025-26, the District made payments of \$1,308,815 (workers’ compensation) and \$2,263,310 (property and liability) to ASCIP and \$2,320,915 to ESGVROP.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker’s compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, The District believes that the recorded liabilities for self-insured claims are adequate.

For further information about the District’s risk management and joint powers agreements, see Note 12 and Note 15 in the District’s audited financial statements for fiscal year ended June 30, 2025 attached hereto as APPENDIX B.

District Debt Structure

Short-Term Debt. As of June 30, 2025, the District did not have any short-term debt outstanding. The District does not intend to issue tax and revenue anticipation notes in fiscal year 2025-26 or 2026-27.

Long-Term Debt. A schedule of the District's changes in long-term debt, other than OPEB and pensions for the fiscal year ended June 30, 2025 is shown below:

WALNUT VALLEY UNIFIED SCHOOL DISTRICT Long-Term Debt

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
General obligation bonds	\$255,905,676	\$3,333,133	\$(11,575,000)	\$247,663,809	\$11,575,000
Unamortized debt premiums	15,750,875	--	(664,444)	15,086,431	--
Leases	225,309	24,718	(107,903)	142,124	63,441
Subscription-based IT arrangements	7,340	--	(7,340)	--	--
Compensated absences	<u>27,073,265</u>	<u>107,718</u>	<u>--</u>	<u>27,180,443</u>	<u>7,581,334</u>
Total	\$298,962,465	\$3,465,029	\$(12,354,687)	\$290,072,807	\$19,219,775

Source: *The District.*

General Obligation Bonds

2000 Authorization. The District received authorization at an election held on March 7, 2000 by more than two-thirds of the votes cast by eligible voters within the District to issue \$50,000,000 principal amount of general obligation bonds of the District (the "2000 Authorization"). On July 27, 2000, the District caused the issuance of its General Obligation Bonds, 2000 Election, Series A (the "Series 2000A Bonds") in the aggregate principal amount of \$7,000,000. On July 26, 2001, the District caused the issuance of its General Obligation Bonds, 2000 Election, Series B (the "Series 200B Bonds") in the aggregate principal amount of \$7,000,000. On April 10, 2002, the District caused the issuance of its General Obligation Bonds, 2000 Election, Series C in the aggregate principal amount of \$8,000,000. On August 15, 2003, the District caused the issuance of its Election of 2000 General Obligation Bonds, Series D in the aggregate principal amount of \$21,998,114 (the "Series 2000D Bonds"). On June 9, 2005, the District caused the issuance of its Election of 2000 General Obligation Bonds, Series E in the aggregate principal amount of \$6,001,837.20 (the "Series 2000E Bonds").

On June 9, 2005, the District also issued its 2005 General Obligation Refunding Bonds in the aggregate principal amount of \$12,170,000 (the "2005 Refunding Bonds") to advance refund a portion of the then-outstanding Series 2000A Bonds and Series 2000B Bonds.

On June 23, 2011, the District issued its 2011 General Obligation Refunding Bonds in the aggregate principal amount of \$13,465,000 (the "2011 Refunding Bonds") to currently refund a portion of the then-outstanding Series 2000D Bonds.

On September 25, 2014, the District issued its 2014 General Obligation Refunding Bonds, Series A (Tax-Exempt) in the aggregate principal amount of \$3,260,000 (the "2014A Refunding Bonds") and its 2014 General Obligation Refunding Bonds, Series B (Federally Taxable) in the aggregate principal amount of \$6,425,000 (the "2014B Refunding Bonds") for the purpose of advance refunding a portion of the then-outstanding Series 2000E Bonds and 2005 Refunding Bonds.

2007 Measure Y Authorization. The District received authorization at an election held on November 6, 2007 by more than 55% of the votes cast by eligible voters within the District to issue \$15,200,000 principal amount of general obligation bonds of the District (the "Measure Y Authorization"). On April 24, 2008, the District caused the issuance of its Election of 2007 General Obligation Bonds, Series A (Measure Y) in the aggregate principal amount of \$7,200,886.95 (the "Series 2007Y-A Bonds"). On June 23, 2011, the District caused the issuance of its Election of 2007 General Obligation Bonds, Series B (Measure Y) in the aggregate principal amount of \$7,990,547.10 .

2007 Measure S Authorization. The District also received authorization at the election held on November 6, 2007 by more than 55% of the votes cast by eligible voters within the District to issue \$64,600,000 principal amount of general obligation bonds of the District (the "Measure S Authorization"). On April 24, 2008, the District caused the issuance of its Election of 2007 General Obligation Bonds, Series A (Measure S) in the aggregate principal amount of \$29,600,000 (the "Series 2007S-A Bonds"). On June 23, 2011, the District caused the issuance of its Election of 2007 General Obligation Bonds, Series B (Measure S) in the aggregate principal amount of \$19,996,837.90 (the "Series 2007S-B Bonds"). On September 25, 2014, the District caused the issuance of its Election of 2007 General Obligation Bonds, Series C (Measure S) in the aggregate principal amount of \$15,000,000 (the "Series 2007S-C Bonds"). On December 18, 2019, the District issued its 2019 General Obligation Refunding Bonds (Federally Taxable) (the "2019 Refunding Bonds") to advance refund certain of the then-outstanding Series 2007S-B Bonds and Series 2007S-C Bonds.

On July 12, 2012, the District issued its 2012 General Obligation Refunding Bonds (Federally Taxable) in the aggregate principal amount of \$21,235,000 to currently refund a portion of the District's then-outstanding General Obligation Refunding Bonds, Series 1997A.

On May 11, 2016, the District issued its 2016 General Obligation Refunding Bonds in the aggregate principal amount of \$40,660,000 to advance refund a portion of the then-outstanding Series 2007Y-A Bonds, Series 2007S-A Bonds, Series 2007Y-B, and 2011 Refunding Bonds. The District intends to apply the proceeds of the Bonds to refund the Series 2016 Bonds.

Pursuant to the 2016 Authorization, the District received authorization at an election held on November 8, 2016 by more than 55% of the votes cast by eligible voters within the District to issue \$152,880,000 principal amount of general obligation bonds of the District. On April 24, 2018, the District issued the first series of bonds under the 2016 Authorization, the Series 2016A Bonds, in the aggregate principal amount of \$43,765,000. On September 2, 2020, the District issued the second series of bonds pursuant to the 2016 Authorization, the Series 2016B Bonds, in the aggregate principal amount of \$47,900,000. On June 29, 2022, the District issued its third and final series of bonds pursuant to the 2016 Authorization, the Series 2016C Bonds, in the aggregate principal amount of \$61,215,000. No principal amount of general obligation bonds remain for issuance under the 2016 Authorization.

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Leases The District has entered into agreements to lease equipment. The District’s liability on lease agreements is summarized in the following table.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Lease Agreement Liabilities**

Lease	Balance July 1, 2024	Additions	Payments	Balance June 30, 2025
Copiers	\$186,177	\$24,718	\$(68,771)	\$142,124
Portable Buildings	<u>39,132</u>	--	<u>(39,132)</u>	--
Total	\$225,309	\$24,718	\$(107,903)	\$142,124

Source: *The District.*

The District entered into various agreements to lease copiers ranging from three to five years. At June 30, 2025, the District had recognized a right-to-use leased asset, net of accumulated amortization of \$131,924 and a lease liability of \$142,124 related to this agreements. The annual interest rate charged on these agreements range from 4.6% to 10.0%. During fiscal year 2025-26, the District recorded \$144,819 in amortization expense and \$13,878 in interest expense for the right to use of the copiers. The remaining principal and interest payment requirements for the leases as of June 30, 2025 are set forth in the table below.

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
Remaining Payments for Copier Leases**

Year Ended (June 30)	Principal	Interest	Total
2026	\$ 63,441	\$ 9,611	\$ 73,052
2027	29,740	6,128	35,868
2028	32,336	3,207	35,543
2029	15,099	640	15,739
2030	<u>1,508</u>	<u>22</u>	<u>1,530</u>
Total	\$142,124	\$19,608	\$161,732

Source: *The District.*

Subscriptions-Based Information technology Arrangements (SBITAs) The District entered into SBITA agreements for various software related to digital licensing for student curriculum and school management. During fiscal year 2025-26, the District had a recognized right-to-use subscriptions IT asset, net of accumulated amortization of \$547,044 and no SBITA liability related to these agreements. During fiscal year 2025-26, the District recorded \$389,005 in amortization expense and \$587 in interest expense.

Cyber Security

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

The District is not aware of any major cybersecurity attack or breach of its systems during the last five years. To protect itself from cybersecurity attacks, the District utilizes firewalls, multifactor authentication, antivirus and anti-malware software, and provides cybersecurity training to District employees. In addition, the District has an informal general technology use policy. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains a policy of cyber liability insurance. There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

LOS ANGELES COUNTY POOLED INVESTMENT FUND

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

The County Board of Supervisors approved the current County Investment Policy Statement (the “Investment Policy”) effective March 11, 2025. See APPENDIX E – “LOS ANGELES COUNTY INVESTMENT POLICY STATEMENT AND TREASURER’S MONTHLY REPORT OF INVESTMENTS.” The Investment Policy applies to all funds managed by the Treasurer as delegated by the County Board of Supervisors. The objective of the Investment Policy is to obtain the highest feasible return consistent with a high degree of safety of principal and the level of liquidity necessary to meet the needs of the County and the agencies participating in the Pooled Investment Fund. In that regard, safety and liquidity sufficient to meet cash flow needs are of primary concern. Under the Investment Policy, return is secondary and subordinate to safety and liquidity in making investment decisions.

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

Decisions on the investment of funds in the Pooled Investment Fund are made by the Treasurer and deputies in accordance with established policy guidelines. In the County, investment decisions are governed by Government Code Sections 53601 and 53635, et seq., which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The Treasurer’s compliance with the Investment Policy is also audited annually by an independent certified public accountant. See APPENDIX E hereto for the Los Angeles County Investment Policy and the Treasurer’s Report of Investments for the month of September 2025.

The District has not made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current Investment Policy. The value of the various investments in the Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, after a review and approval by the County Board of Supervisors may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pooled Investment Fund will not vary significantly from the values described therein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine (9) months following the end of the District’s fiscal year (currently ending June 30), which date would be March 31, commencing with the report for the 2025-26 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District will enter into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

Within the last five years, the District did not timely file its fiscal year 2021-22 annual report, unaudited actuals and audited financial statements. The District also did not timely file its fiscal year 2024-25 annual report and audited financial statements.

The District has engaged Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinions of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, forms of which are attached hereto as APPENDIX A. Dannis Woliver Kelley, Long Beach, California is also acting as Disclosure Counsel to the District. Bond and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Pooled Investment Fund

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

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for

bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

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

California Senate Bill 222

Government Code Section 53515, added by Senate Bill 222 (“SB 222”), applicable to general obligation bonds issued after its effective date on January 1, 2017, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds.

TAX MATTERS

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the “Tax Certificate”) of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among

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

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

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

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

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

original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

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

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

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

Forms of Bond Counsel Opinions. The forms of the proposed opinions of Bond Counsel relating to the Bonds are attached to this Official Statement as APPENDIX A.

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. Under provisions of the Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATING

Moody's Investors Service dba Moody's Ratings ("Moody's") assigned its municipal bond rating of "Aaa" to the Bonds. Such rating reflects only the view of Moody's and an explanation of the significance of such rating may be obtained as follows: Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

VERIFICATION

The sufficiency of amounts on deposit in the Escrow Fund to pay interest on and the redemption price of the Refunded Bonds will be verified by Causey Public Finance, LLC, certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

METHOD OF SALE

Following a competitive bid process, as provided in the Official Notice of Sale, dated April 23, 2026 (the "Notice of Sale"), _____ (the "Underwriter"), has submitted the lowest bid to purchase the Bonds at a price of \$ _____ (reflecting the principal amount of the Bonds plus a [net] original issue premium in the amount of \$ _____ and less an Underwriter's discount of \$ _____).

The Notice of Sale provides that all Bonds must be purchased if any are purchased, and that the obligation to make such purchase are subject to certain terms and conditions set forth in the Notice of Sale, the approval of certain legal matters by Bond Counsel, and certain other conditions. The Underwriter has represented to the District that the Bonds have been reoffered to the public at the prices or yields stated on the inside front cover page hereof.

NO LITIGATION

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

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Walnut Valley Unified School District, at 880 S. Lemon Ave., Walnut, California 91789.

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

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

WALNUT VALLEY UNIFIED SCHOOL
DISTRICT

By: _____
Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Trustees
Walnut Valley Unified School District
880 S. Lemon Avenue
Walnut, CA 91789

Re: \$_____ Walnut Valley Unified School District (Los Angeles County, California)
2026 General Obligation Refunding Bonds

Members of the Board:

We have acted as bond counsel for the Walnut Valley Unified School District (Los Angeles County, California) (the “District”), in connection with the issuance by the District of \$_____ aggregate principal amount of the District’s 2026 General Obligation Refunding Bonds (the “Refunding Bonds”). The Refunding Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), and that certain resolution adopted by the Board of Trustees of the District on April 15, 2026 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

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

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

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

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

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

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

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

Dannis Woliver Kelley

APPENDIX B

**WALNUT VALLEY UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2025**

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June 30, 2025

Walnut Valley Unified School District

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Independent Auditor's Report

To the Governing Board
Walnut Valley Unified School District
Walnut, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walnut Valley Unified School District (the District), as of and for the year ended June 30, 2025, 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 Walnut Valley Unified School District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS 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 GAAS, 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2026 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, 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California
January 21, 2026

Walnut Valley Unified School District

“KIDS FIRST – Every Student, Every Day”

Robert P. Taylor, Ed.D., Superintendent
880 S. Lemon Avenue • Walnut, California 91789 • Tel. (909) 595-1261

This section of Walnut Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information for the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and proprietary.

- The Governmental Funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Walnut Valley Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial health of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities – The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statement.

Proprietary Funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. We use the internal service funds to report activities that provide services for the District's other programs and activities – such as insurance related activities. The internal service funds are reported with governmental activities in the government-wide financial statements.

FINANCIAL HIGHLIGHTS

- The District's net position ending balance was \$75,395,188, a decrease of \$7,673,677. The balance includes capital assets and long-term liabilities.
- The governmental funds balance had a net decrease of \$12,477,668 for an ending fund balance of \$175,480,244 as of June 30, 2025.
- The District continues to maintain a 3% Reserve for Economic Uncertainties and has received a positive certification from the County of Education Office for the current and next two fiscal years.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$75,395,188 for the fiscal year ended June 30, 2025. Of this amount, \$99,117,638 was an unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	\$ 219,009,804	\$ 228,051,458
Lease receivables	756,226	4,653,551
Capital assets	303,283,152	287,499,885
Total assets	523,049,182	520,204,894
Deferred outflows of resources	65,117,264	61,253,342
Liabilities		
Current liabilities	34,463,171	30,100,595
Long-term liabilities	453,592,207	444,020,767
Total liabilities	488,055,378	474,121,362
Deferred inflows of resources	24,715,880	24,268,009
Net Position		
Net investment in capital assets	102,004,716	88,444,564
Restricted	72,508,110	76,162,831
Unrestricted deficit	(99,117,638)	(81,538,530)
Total net position	\$ 75,395,188	\$ 83,068,865

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

The \$99,117,638 in unrestricted deficit net position represents the accumulated results of all past years' operations for governmental activities.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	\$ 2,737,881	\$ 2,268,614
Operating grants and contributions	47,270,066	54,212,488
Capital grants and contributions	2,845,993	15,023,011
General revenues		
Federal and State aid not restricted	127,554,928	123,763,295
Property taxes	60,408,905	57,958,479
Other general revenues	17,834,905	29,250,877
Total revenues	258,652,678	282,476,764
Expenses		
Instruction-related	146,669,270	153,319,571
Pupil services	34,780,975	33,112,934
Administration	13,171,746	14,543,275
Plant services	24,339,613	23,680,150
All other services	22,332,786	19,296,672
Total expenses	241,294,390	243,952,602
Change in net position	\$ 17,358,288	\$ 38,524,162

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$241,294,390. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$60,408,905 because the cost was paid by those who benefited from the programs (\$2,737,881) or by other governments and organizations who subsidized certain programs with grants and contributions of (\$50,116,059). We paid for the remaining "public benefit" portion of our governmental activities with \$127,554,928 in Federal and State funds and with \$17,834,905 in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including instruction-related services, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2025	2024*	2025	2024*
Instruction-related	\$ 146,669,270	\$ 153,319,571	\$ (116,990,362)	\$ (107,070,492)
Pupil services	34,780,975	33,112,934	(16,678,415)	(13,784,191)
Administration	13,171,746	14,543,275	(11,603,921)	(12,656,146)
Plant services	24,339,613	23,680,150	(24,079,076)	(23,525,921)
All other services	22,332,786	19,296,672	(19,088,676)	(15,411,739)
Total	\$ 241,294,390	\$ 243,952,602	\$ (188,440,450)	\$ (172,448,489)

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$175,480,244, which is a decrease of \$12,477,668 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	\$ 98,098,431	\$ 222,194,300	\$ 223,539,562	\$ 96,753,169
Building	26,718,596	1,734,033	14,314,511	14,138,118
Special Reserve for Capital				
Outlay Projects	24,956,670	4,236,031	4,784,145	24,408,556
Child Development	3,905,783	3,799,793	5,892,305	1,813,271
Cafeteria	16,188,866	11,882,682	8,676,609	19,394,939
Capital Facilities	1,666,037	1,841,947	43,800	3,464,184
County School Facilities	-	2,845,993	2,845,993	-
Bond Interest and Redemption	16,423,529	18,053,066	18,968,588	15,508,007
Total	\$ 187,957,912	\$ 266,587,845	\$ 279,065,513	\$ 175,480,244

The primary reason for these changes is as follows:

1. The General Fund is the District's principal operating fund. The fund balance of the General Fund decreased by \$1,345,262 primarily due to the ending of one-time funds, including COVID-19 relief and learning loss mitigation funds. In particular, the absence of COVID-19 relief funds has significantly contributed to the decrease in the General Fund balance.
2. The Building Fund decreased by \$12,580,478 due to on-going multi-year construction projects.

3. The Special Reserve Fund for Capital Outlay Projects decreased by \$548,114 as the District begins utilizing this fund for on-going multi-year construction projects.
4. The Child Development Fund decreased by \$2,092,512 due to with the exclusion of ELOP funds.
5. The Cafeteria Fund increased by \$3,206,073 as the District received higher reimbursement amounts as part of the Universal Meals program and due to increase in student enrollment.
6. The Capital Facilities Fund increased by \$1,798,147 due to a higher reimbursement rate and a reduction in expenditures during the fiscal year.

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:

- Revisions to account for differences between the final state budget, the Governor’s Proposed Budget, and the Governor’s May Revision.
- Adjustments to salaries and benefits to account for approved negotiated agreements, staffing changes and placements, and health benefit rate increases/decreases.
- Adjustments to state formulas based on ADA data and projections.

Adjustments to state formula aide and categorical program revenue and expenditures to account for prior year carryovers and final entitlement accounts.

The District continues to maintain the required three percent Reserve for Economic Uncertainties and has received a positive certification from the County of Education Office for the current and next two fiscal years.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had \$303,283,152 in a broad range of capital assets (net of depreciation and amortization), including land, buildings, furniture, and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$15,783,267, or 5.49%, from last year (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 109,469,567	\$ 116,207,639
Buildings and improvements	186,050,795	164,492,328
Furniture and equipment	7,083,822	5,771,613
Right-to-use leased assets	131,924	252,025
Right-to-use subscription IT assets	547,044	776,280
Total	\$ 303,283,152	\$ 287,499,885

This year’s additions totaled \$27,299,490, with the majority of expenditures related to the modernization projects at multiple school sites. Existing general obligation bonds were used for the majority of construction costs. The District presents more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$453,592,207 in long-term liabilities outstanding versus \$444,020,767 last year, an increase of \$9,571,440. Those long-term liabilities consisted of:

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	\$ 247,663,809	\$ 255,905,676
Unamortized debt premiums	15,086,431	15,750,875
Leases	142,124	225,309
Subscription-based IT arrangements	-	7,340
Compensated absences	27,180,443	2,041,300
Aggregate net OPEB liability	23,624,560	24,749,282
Aggregate net pension liability	139,894,840	145,340,985
Total	\$ 453,592,207	\$ 444,020,767

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

The District’s general obligation bond rating continues to be “Aa1”. The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District’s boundaries. The District’s outstanding general obligation debt of \$247,663,809 is below the statutorily imposed limit.

FACTORS BEARING ON THE DISTRICT’S FUTURE

Walnut Valley Unified School District continues to maintain a strong financial position due to ample planning, conservative projections, and close monitoring of the political landscape that can affect revenues and programs. As one-time funds diminish and new policies and programs emerge, Districts must continue to be flexible and responsive to the evolving needs within California. Due to a progressive tax system, the economy in California is highly susceptible to the reliance on the highest income earners in the state. Inflation continues to be a concern across the nation, and the health of the economy is at more risk than any time in recent years. The District will continue to monitor its enrollment, and closely ensure that staffing levels are aligned to enrollment. Negotiations will continue to be approached with great caution, and management will continue to meet regularly to discuss plans for action in the event a stabilization plan is warranted. Walnut Valley believes that maintaining adequate reserves and negotiating responsibly with labor groups is its best course to maintain the District’s financial health.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Dr. Matt Torres, Deputy Superintendent, Business Services, and 880 South Lemon Avenue, Walnut, CA 91789.

Walnut Valley Unified School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Deposits and investments	\$ 205,027,919
Receivables	13,307,197
Prepaid expense	43,453
Stores inventories	631,235
Lease receivables	756,226
Capital assets not depreciated or amortized	109,469,567
Capital assets, net of accumulated depreciation and amortization	193,813,585
Total assets	523,049,182
Deferred Outflows of Resources	
Deferred charge on refunding	11,171,650
Deferred outflows of resources related to OPEB	1,183,153
Deferred outflows of resources related to pensions	52,762,461
Total deferred outflows of resources	65,117,264
Liabilities	
Accounts payable	30,364,054
Interest payable	3,003,846
Unearned revenue	1,095,271
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	19,219,775
OPEB liability due within one year	645,000
Long-term liabilities other than OPEB and pensions due in more than one year	270,853,032
Aggregate net other postemployment benefits (OPEB) liability due in more than one year	22,979,560
Aggregate net pension liability	139,894,840
Total liabilities	488,055,378
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	8,712,054
Deferred inflows of resources related to pensions	15,247,600
Deferred inflows of resources related to leases	756,226
Total deferred inflows of resources	24,715,880
Net Position	
Net investment in capital assets	102,004,716
Restricted for	
Debt service	12,504,161
Capital projects	3,464,184
Educational programs	25,163,779
Other restrictions	31,375,986
Unrestricted deficit	(99,117,638)
Total net position	\$ 75,395,188

Walnut Valley Unified School District
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 125,515,563	\$ 991,400	\$ 23,220,946	\$ 2,845,993	\$ (98,457,224)
Instruction-related activities					
Supervision of instruction	6,080,805	2,763	852,857	-	(5,225,185)
Instructional library, media, and technology	1,650,182	82	89,255	-	(1,560,845)
School site administration	13,422,720	354,622	1,320,990	-	(11,747,108)
Pupil services					
Home-to-school transportation	3,475,747	61	11,946	-	(3,463,740)
Food services	9,810,463	438,575	11,181,168	-	1,809,280
All other pupil services	21,494,765	433,330	6,037,480	-	(15,023,955)
Administration					
Data processing	1,430,530	-	364	-	(1,430,166)
All other administration	11,741,216	240,240	1,327,221	-	(10,173,755)
Plant services	24,339,613	73,411	187,126	-	(24,079,076)
Ancillary services	2,762,273	114,441	1,991,833	-	(655,999)
Community services	6,268,467	79,262	1,015,539	-	(5,173,666)
Enterprise services	539,149	-	-	-	(539,149)
Interest on long-term liabilities	10,555,503	-	-	-	(10,555,503)
Other outgo	2,207,394	9,694	33,341	-	(2,164,359)
Total governmental activities	<u>\$ 241,294,390</u>	<u>\$ 2,737,881</u>	<u>\$ 47,270,066</u>	<u>\$ 2,845,993</u>	<u>(188,440,450)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					43,692,394
Property taxes, levied for debt service					16,437,403
Taxes levied for other specific purposes					279,108
Federal and State aid not restricted to specific purposes					127,554,928
Interest and investment earnings					9,763,901
Miscellaneous					8,071,004
Total general revenues and subventions					<u>205,798,738</u>
Change in Net Position					17,358,288
Net Position - Beginning, as previously reported					83,068,865
Adjustment (Note 16)					(25,031,965)
Net Position - Beginning, as restated					<u>58,036,900</u>
Net Position - Ending					<u>\$ 75,395,188</u>

Walnut Valley Unified School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 111,224,728	\$ 16,571,691	\$ 25,726,033	\$ 39,539,987	\$ 193,062,439
Receivables	11,228,381	163,520	250,643	1,531,362	13,173,906
Prepaid expenditures	14,875	-	-	28,578	43,453
Stores inventories	540,162	-	-	91,073	631,235
Lease receivables	756,226	-	-	-	756,226
Total assets	\$ 123,764,372	\$ 16,735,211	\$ 25,976,676	\$ 41,191,000	\$ 207,667,259
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 25,465,993	\$ 2,597,093	\$ 1,568,120	\$ 704,312	\$ 30,335,518
Unearned revenue	788,984	-	-	306,287	1,095,271
Total liabilities	26,254,977	2,597,093	1,568,120	1,010,599	31,430,789
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	756,226	-	-	-	756,226
Fund Balances					
Nonspendable	597,667	-	-	125,311	722,978
Restricted	25,163,779	14,138,118	-	38,277,942	77,579,839
Committed	43,057,201	-	-	1,777,148	44,834,349
Assigned	21,229,077	-	24,408,556	-	45,637,633
Unassigned	6,705,445	-	-	-	6,705,445
Total fund balances	96,753,169	14,138,118	24,408,556	40,180,401	175,480,244
Total liabilities, deferred inflows of resources, and fund balances	\$ 123,764,372	\$ 16,735,211	\$ 25,976,676	\$ 41,191,000	\$ 207,667,259

Walnut Valley Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2025

Total Fund Balance - Governmental Funds		\$ 175,480,244
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 476,399,598	
Accumulated depreciation and amortization is	<u>(173,116,446)</u>	
Net capital assets		303,283,152
<p>In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.</p>		
		(3,003,846)
<p>An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the Statement of Net Position.</p>		
		12,070,235
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to:</p>		
Debt refundings (deferred charges on refunding)	11,171,650	
Aggregate net OPEB liability	1,183,153	
Aggregate net pension liability	<u>52,762,461</u>	
Total deferred outflows of resources		65,117,264
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to:</p>		
Aggregate net OPEB liability	(8,712,054)	
Aggregate net pension liability	<u>(15,247,600)</u>	
Total deferred inflows of resources		(23,959,654)
<p>The aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(23,624,560)
<p>The aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(139,894,840)

Walnut Valley Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	\$ (211,359,649)
Unamortized debt premiums on bonds	(15,086,431)
Leases	(142,124)
Compensated absences	(27,180,443)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(36,304,160)

Total long-term liabilities \$ (290,072,807)

Total net position - governmental activities \$ 75,395,188

Walnut Valley Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	\$ 166,847,901	\$ -	\$ -	\$ -	\$ 166,847,901
Federal sources	4,344,713	-	-	3,401,447	7,746,160
Other State sources	21,813,348	-	-	10,139,034	31,952,382
Other local sources	27,863,620	1,734,033	1,390,038	24,883,000	55,870,691
Total revenues	<u>220,869,582</u>	<u>1,734,033</u>	<u>1,390,038</u>	<u>38,423,481</u>	<u>262,417,134</u>
Expenditures					
Current					
Instruction	125,144,533	-	-	717,543	125,862,076
Instruction-related activities					
Supervision of instruction	6,177,369	-	-	-	6,177,369
Instructional library, media, and technology	1,721,241	-	-	-	1,721,241
School site administration	13,359,691	-	-	-	13,359,691
Pupil services					
Home-to-school transportation	3,523,998	-	-	-	3,523,998
Food services	876,237	-	-	8,558,221	9,434,458
All other pupil services	22,924,445	-	-	-	22,924,445
Administration					
Data processing	1,133,887	-	-	-	1,133,887
All other administration	10,658,811	-	-	594,964	11,253,775
Plant services	23,223,099	-	-	-	23,223,099
Ancillary services	2,817,296	-	-	-	2,817,296
Community services	1,674,309	-	-	4,698,186	6,372,495
Other outgo	2,207,394	-	-	-	2,207,394
Facility acquisition and construction	8,006,880	14,275,175	4,784,145	43,800	27,110,000
Debt service					
Principal	76,111	39,132	-	11,575,000	11,690,243
Interest and other	14,261	204	-	7,393,588	7,408,053
Total expenditures	<u>223,539,562</u>	<u>14,314,511</u>	<u>4,784,145</u>	<u>33,581,302</u>	<u>276,219,520</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,669,980)</u>	<u>(12,580,478)</u>	<u>(3,394,107)</u>	<u>4,842,179</u>	<u>(13,802,386)</u>
Other Financing Sources (Uses)					
Transfers in	1,300,000	-	2,845,993	-	4,145,993
Other sources - leases	24,718	-	-	-	24,718
Transfers out	-	-	-	(2,845,993)	(2,845,993)
Net Financing Sources (Uses)	<u>1,324,718</u>	<u>-</u>	<u>2,845,993</u>	<u>(2,845,993)</u>	<u>1,324,718</u>
Net Change in Fund Balances	(1,345,262)	(12,580,478)	(548,114)	1,996,186	(12,477,668)
Fund Balance - Beginning	<u>98,098,431</u>	<u>26,718,596</u>	<u>24,956,670</u>	<u>38,184,215</u>	<u>187,957,912</u>
Fund Balance - Ending	<u>\$ 96,753,169</u>	<u>\$ 14,138,118</u>	<u>\$ 24,408,556</u>	<u>\$ 40,180,401</u>	<u>\$ 175,480,244</u>

Walnut Valley Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds \$ (12,477,668)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities.

This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.

Capital outlay	\$ 27,299,490
Depreciation and amortization expense	<u>(11,516,223)</u>

Net expense adjustment	15,783,267
------------------------	------------

Right-to-use assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (24,718)

In the Statement of Activities, certain operating expenses, such as 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). This amount is the difference between compensated absences earned and used. (107,178)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows/inflows of resources and net pension liability during the year. 7,843,898

In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources, and net OPEB liability during the year. (1,121,912)

Governmental funds report the effect of premiums and the deferred charges on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Premium amortization	664,444
Deferred charges on refunding amortization	(632,393)

Walnut Valley Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2025

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 11,575,000
Leases	107,903
Subscription-based IT arrangements	7,340

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

153,632

The District issued capital appreciation general obligation bonds. The accretion of interest on the general obligation bonds during the current fiscal year was:

(3,333,133)

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

(1,080,194)

Change in net position of governmental activities

\$ 17,358,288

Walnut Valley Unified School District
Statement of Net Position – Proprietary Fund
June 30, 2025

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 11,965,480
Receivables	<u>133,291</u>
Total current assets	<u>12,098,771</u>
Liabilities	
Current liabilities	
Accounts payable	<u>28,536</u>
Net Position	
Restricted	<u><u>\$ 12,070,235</u></u>

Walnut Valley Unified School District
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Revenues	
Other operating receipts	\$ 25,452
Operating Expenses	
Supplies and materials	12,956
Services and other operating costs	526,193
Total operating expenses	539,149
Operating Loss	(513,697)
Nonoperating Revenues (Expenses)	
Interest income	514,720
Change in value of cash in county treasury	218,783
Transfers out	(1,300,000)
Total nonoperating revenues (expenses)	(566,497)
Change in Net Position	(1,080,194)
Total Net Position - Beginning	13,150,429
Total Net Position - Ending	\$ 12,070,235

Walnut Valley Unified School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2025

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Other operating cash receipts	\$ 16,212
Cash payments to other suppliers of goods or services	<u>(576,088)</u>
Net Cash From Operating Activities	<u>(559,876)</u>
Noncapital Financing Activities	
Interfund transfers out	<u>(1,300,000)</u>
Investing Activities	
Change in value of cash in county treasury	218,783
Interest on investments	<u>539,455</u>
Net Cash From Investing Activities	<u>758,238</u>
Net Change in Cash and Cash Equivalents	(1,101,638)
Cash and Cash Equivalents, Beginning	<u>13,067,118</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 11,965,480</u></u>
Reconciliation of Operating Loss to Net Cash From Operating Activities	
Operating loss	\$ (513,697)
Changes in assets and liabilities	
Accounts receivables	(9,240)
Accounts payable	<u>(36,939)</u>
Net Cash From Operating Activities	<u><u>\$ (559,876)</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Walnut Valley Unified School District (the District) was unified in 1970 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates nine elementary, three middle, two comprehensive high schools, and one continuation high school.

The reporting entity is comprised of the primary government. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Walnut Valley Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and proprietary funds.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. 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.

Two funds currently defined as special revenue funds in the *California State Accounting Manual* (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$17,767,015.

Building Fund The Building 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.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used 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** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District accounts for a workers' compensation program in an internal service fund.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation and amortization of capital assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net position restricted for other activities results from special revenue funds and internal service funds, and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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 or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

Cash and Cash Equivalents

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

Investments

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

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Stores inventories consists of expendable food and supplies held for consumption. Stores inventories are stated at cost, on the weighted average basis. The cost of inventory items is recorded as expenditures in the governmental funds and expenses in the proprietary funds when consumed rather than when purchased.

Lease Receivable

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. 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.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; building and land improvements, 5 to 50 years; equipment, 2 to 15 years. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for OPEB related items, and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related to leases, for OPEB related items, and for pension related items.

Accrued Liabilities and Long-Term Liabilities

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

However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, SBITAs, and long-term liabilities are recognized as a liability on the governmental fund financial statements when due.

Debt Issuance Costs and Premiums

Debt premiums are reported as liabilities in the Statement of Net Position. Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription Liabilities

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments is discounted based on a borrowing rate determined by the District.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, employees do not gain a vested right to accumulated sick leave. Employees are not paid for any sick leave balance at termination of employment or at any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the aggregate 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 the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Pensions

For purposes of measuring the aggregate net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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 governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$72,508,110 of net position restricted by enabling legislation.

Operating Revenues and Expenses – Proprietary Fund

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Estimates

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

Property Tax

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

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 16.

Implementation of GASB Statement No. 102

As of June 30, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government’s vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the District’s financial statements as a result of the implementation of this standard.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 193,062,439
Proprietary fund	<u>11,965,480</u>
Total deposits and investments	<u><u>\$ 205,027,919</u></u>

Deposits and investments as of June 30, 2025, consisted of the following:

Cash on hand and in banks	\$ 2,412,124
Cash with fiscal agent	90,000
Cash in revolving	48,290
Investments	<u>202,477,505</u>
Total deposits and investments	<u><u>\$ 205,027,919</u></u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their county treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the county treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California *Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool.

The District maintains an investment of \$202,477,505 with the Los Angeles County Treasury Investment Pool that has a weighted average maturity of 556 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2025.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, approximately \$2.9 million 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 agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2025, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Proprietary Fund	Total Governmental Activities
Federal Government						
Categorical aid	\$ 2,569,847	\$ -	\$ -	\$ 375,876	\$ -	\$ 2,945,723
State Government						
Categorical aid	2,534,126	-	-	906,091	-	3,440,217
Lottery	1,122,519	-	-	-	-	1,122,519
Due from SELPA	1,212,176	-	-	-	-	1,212,176
Local Sources						
Interest	771,793	163,520	250,643	230,988	124,051	1,540,995
Other local sources	3,017,920	-	-	18,407	9,240	3,045,567
Total	\$ 11,228,381	\$ 163,520	\$ 250,643	\$ 1,531,362	\$ 133,291	\$ 13,307,197

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 9,385,725	\$ -	\$ -	\$ 9,385,725
Construction in progress	106,821,914	26,985,166	(33,723,238)	100,083,842
	Total capital assets	not being depreciated or amortized	(33,723,238)	109,469,567
Capital assets being depreciated or amortized				
Land improvements	19,232,445	293,059	-	19,525,504
Buildings and improvements	288,602,029	30,723,776	-	319,325,805
Furniture and equipment	23,521,383	2,836,240	-	26,357,623
Right-to-use leased buildings and improvements	749,173	-	(749,173)	-
Right-to-use leased furniture and equipment	334,596	24,718	-	359,314
Right-to-use subscription IT assets	1,232,157	159,769	(30,141)	1,361,785
	Total capital assets being	depreciated or amortized	(779,314)	366,930,031
	Total capital assets	61,022,728	(34,502,552)	476,399,598
Accumulated depreciation and amortization				
Land improvements	(10,704,199)	(717,720)	-	(11,421,919)
Buildings and improvements	(132,637,947)	(8,740,648)	-	(141,378,595)
Furniture and equipment	(17,749,770)	(1,524,031)	-	(19,273,801)
Right-to-use leased buildings and improvements	(674,256)	(74,917)	749,173	-
Right-to-use leased furniture and equipment	(157,488)	(69,902)	-	(227,390)
Right-to-use subscription IT assets	(455,877)	(389,005)	30,141	(814,741)
	Total accumulated depreciation and amortization	(11,516,223)	779,314	(173,116,446)
	Net depreciable and amortizable capital assets	22,521,339	-	193,813,585
	Governmental activities	capital assets, net	\$ (33,723,238)	\$ 303,283,152

Depreciation and amortization expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 8,319,620
Supervision of instruction	257,502
School site administration	181,790
Food services	448,242
Data processing	313,001
All other administration	604,326
Plant services	1,312,355
Facility acquisition and construction	79,387
	Total depreciation and amortization expense - governmental activities
	\$ 11,516,223

Note 5 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivables	Balance, July 1, 2024	Additions	Deletions	Balance, June 30, 2025
American Tower Cell Tower	\$ 3,859,287	\$ -	\$ (3,859,287)	\$ -
Crown Castle Cell Tower	691,802	-	(31,074)	660,728
Verizon Cell Tower	102,462	-	(6,964)	95,498
Total	<u>\$ 4,653,551</u>	<u>\$ -</u>	<u>\$ (3,897,325)</u>	<u>\$ 756,226</u>

The District licenses (leases) a portion of its facilities for cellular tower antenna sites. At termination, the lessees must remove all equipment and restore the site to its original state. During the year ended June 30, 2025, the District recognized \$42,007 in lease revenue and \$29,074 in interest revenue related to these agreements. At June 30, 2025, the District recorded \$756,226 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 2.5%, based on the rates available to finance real estate over the same time periods.

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2025, consisted of the following:

The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Outlay Projects for reimbursement of construction costs.	\$ 2,845,993
The Internal Service Fund transferred to the General Fund for insurance costs.	<u>1,300,000</u>
Total	<u>\$ 4,145,993</u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2025, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Proprietary Fund	Total Governmental Activities
Salaries and benefits	\$ 7,678,212	\$ -	\$ -	\$ 565,460	\$ -	\$ 8,243,672
LCFF apportionment	15,293,386	-	-	-	-	15,293,386
Vendor payables	2,494,395	-	-	138,852	28,536	2,661,783
Capital outlay	-	2,597,093	1,568,120	-	-	4,165,213
Total	<u>\$ 25,465,993</u>	<u>\$ 2,597,093</u>	<u>\$ 1,568,120</u>	<u>\$ 704,312</u>	<u>\$ 28,536</u>	<u>\$ 30,364,054</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2025, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 501,772	\$ -	\$ 501,772
State categorical aid	189,990	-	189,990
Other local	97,222	306,287	403,509
Total	\$ 788,984	\$ 306,287	\$ 1,095,271

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance, July 1, 2024, as Restated	Additions	Deductions	Balance, June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 255,905,676	\$ 3,333,133	\$ (11,575,000)	\$ 247,663,809	\$ 11,575,000
Unamortized debt premiums	15,750,875	-	(664,444)	15,086,431	-
Leases	225,309	24,718	(107,903)	142,124	63,441
Subscription-based IT arrangements	7,340	-	(7,340)	-	-
Compensated absences	27,073,265	107,178	-	27,180,443	7,581,334
Total	\$ 298,962,465	\$ 3,465,029	\$ (12,354,687)	\$ 290,072,807	\$ 19,219,775

The change in compensated absences is presented as a net change.

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund. Payments on leases and subscription-based IT arrangements are made from the General Fund and Building Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding, July 1, 2024	Interest Accreted	Redeemed	Bonds Outstanding, June 30, 2025
8/15/2003	8/1/2033	2.00-5.95%	\$ 21,998,114	\$ 29,455,341	\$ 1,736,702	\$ (2,360,000)	\$ 28,832,043
6/9/2005	8/1/2029	4.00-5.11%	6,001,837	7,293,371	343,647	(1,350,000)	6,287,018
6/23/2011	8/1/2036	1.79-7.10%	19,996,838	18,358,637	1,198,708	(1,080,000)	18,477,345
6/23/2011	8/1/2036	7.10%	7,990,547	748,327	54,076	-	802,403
9/25/2014	8/1/2026	3.00%	3,260,000	2,245,000	-	(895,000)	1,350,000
5/11/2016	8/1/2041	3.00-5.00%	40,660,000	33,690,000	-	(2,050,000)	31,640,000
4/24/2018	8/1/2047	3.00-5.00%	43,765,000	38,350,000	-	(155,000)	38,195,000
12/18/2019	8/1/2041	1.68-3.20%	26,015,000	24,600,000	-	(260,000)	24,340,000
9/2/2020	8/1/2050	2.00-4.00%	47,900,000	39,950,000	-	(410,000)	39,540,000
6/29/2022	8/1/2051	4.00-5.00%	61,215,000	61,215,000	-	(3,015,000)	58,200,000
				<u>\$ 255,905,676</u>	<u>\$ 3,333,133</u>	<u>\$ (11,575,000)</u>	<u>\$ 247,663,809</u>

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2052 as follows:

Bonds Maturing Fiscal Year	Principal (Including accreted interest to date)	Unmatured Accreted Interest	Current Interest to Maturity	Total
2026	\$ 11,432,521	\$ 142,479	\$ 7,067,606	18,500,127
2027	10,163,383	476,617	6,814,753	16,978,136
2028	10,630,684	864,316	6,582,677	17,213,361
2029	10,000,046	1,084,954	6,341,481	16,341,527
2030	10,400,445	1,404,555	6,102,624	16,503,069
2031-2035	51,194,633	9,532,947	26,302,097	77,496,730
2036-2040	58,567,097	13,485,833	19,477,416	78,044,513
2041-2045	38,800,000	-	10,540,725	49,340,725
2046-2050	35,015,000	-	4,503,438	39,518,438
2051-2052	11,460,000	-	344,700	11,804,700
Total	<u>\$ 247,663,809</u>	<u>\$ 26,991,701</u>	<u>\$ 94,077,517</u>	<u>\$ 341,741,326</u>

Leases

The District has entered into agreements to lease equipment. The District's liability on lease agreements is summarized below:

Lease	Balance, July 1, 2024	Additions	Payments	Balance, June 30, 2025
Copiers	\$ 186,177	\$ 24,718	\$ (68,771)	\$ 142,124
Portable Buildings	39,132	-	(39,132)	-
Total	<u>\$ 225,309</u>	<u>\$ 24,718</u>	<u>\$ (107,903)</u>	<u>\$ 142,124</u>

Copiers

The District entered into various agreements to lease copiers ranging from three to five years. At June 30, 2025, the District has recognized a right-to-use leased asset, net of accumulated amortization of \$131,924 and a lease liability of \$142,124 related to these agreements. The annual interest rate charged on these agreements range from 4.6% to 10.0% During the year ended June 30, 2025, the District recorded \$144,819 in amortization expense and \$13,878 in interest expense for the right to use of the copiers.

The remaining principal and interest payment requirements for the leases as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 63,441	\$ 9,611	\$ 73,052
2027	29,740	6,128	35,868
2028	32,336	3,207	35,543
2029	15,099	640	15,739
2030	1,508	22	1,530
Total	<u>\$ 142,124</u>	<u>\$ 19,608</u>	<u>\$ 161,732</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into SBITA agreements for various software related to digital licensing for student curriculum and school management. At June 30, 2025, the District has recognized a right-to-use subscriptions IT asset, net of accumulated amortization of \$547,044 and no SBITA liability related to these agreements. During the year ended June 30, 2025, the District recorded \$389,005 in amortization expense and \$587 in interest expense.

Note 10 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2025, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 23,109,784	\$ 1,183,153	\$ 8,712,054	\$ 1,184,665
Medicare Premium Payment (MPP) Program	514,776	-	-	(62,753)
Total	<u>\$ 23,624,560</u>	<u>\$ 1,183,153</u>	<u>\$ 8,712,054</u>	<u>\$ 1,121,912</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2024, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	76
Active employees	<u>1,137</u>
Total	<u><u>1,213</u></u>

Benefits Provided

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Walnut Valley Educators' Association (WVEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, WVEA, CSEA, and the unrepresented groups. For the measurement period ending June 30, 2025, the District paid \$1,216,999 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$23,109,784 was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability as of June 30, 2025 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2024 and rolling forward the total OPEB liability to June 30, 2025. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	5.20%
Healthcare cost trend rate	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actual experience study as of October 2024.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2024	\$ 24,171,753
Service cost	1,966,187
Interest	964,671
Changes of assumptions	(2,775,828)
Benefit payments	(1,216,999)
Net change in total OPEB liability	(1,061,969)
Balance, June 30, 2025	\$ 23,109,784

There were no changes in benefit terms noted since the previous valuation. Changes of economic assumptions reflect a change in the discount rate from 3.93% to 5.20% since the previous valuation.

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 percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (4.20%)	\$ 25,306,960
Current discount rate (5.20%)	23,109,784
1% increase (6.20%)	21,445,237

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rate that is one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	\$ 20,203,758
Current healthcare cost trend rate (4.00%)	23,109,784
1% increase (5.00%)	26,368,479

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$1,184,665. At June 30, 2025, 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	\$ 90,337	\$ 2,289,691
Changes of assumptions	1,092,816	6,422,363
Total	\$ 1,183,153	\$ 8,712,054

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the expected average remaining service life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 14.1 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (541,114)
2027	(574,418)
2028	(654,311)
2029	(715,812)
2030	(776,396)
Thereafter	(4,266,850)
Total	\$ (7,528,901)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers’ Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers’ Health Benefits 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, 2023 annual actuarial valuation report, Medicare Premium Payment 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: <http://www.calstrs.com/forms-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (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. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, 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.

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of \$514,776 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1931%, and 0.1903%, resulting in a net increase in the proportionate share of 0.0028%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(62,753).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Assumptions were made about future participation (enrollment) into the MPP Program because 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' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

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, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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, 2024, 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, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

Sensitivity of the District's 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 calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability
1% decrease (2.93%)	\$ 555,429
Current discount rate (3.93%)	514,776
1% increase (4.93%)	479,027

Sensitivity of the District's 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 calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 476,884
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	514,776
1% increase (6.00% Part A and 7.50% Part B)	557,079

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 42,630	\$ -	\$ -	\$ 5,660	\$ 48,290
Prepaid expenditures	14,875	-	-	28,578	43,453
Stores inventories	540,162	-	-	91,073	631,235
Total nonspendable	<u>597,667</u>	<u>-</u>	<u>-</u>	<u>125,311</u>	<u>722,978</u>
Restricted					
Legally restricted programs	25,163,779	-	-	36,123	25,199,902
Food service	-	-	-	19,269,628	19,269,628
Capital projects	-	14,138,118	-	3,464,184	17,602,302
Debt service	-	-	-	15,508,007	15,508,007
Total restricted	<u>25,163,779</u>	<u>14,138,118</u>	<u>-</u>	<u>38,277,942</u>	<u>77,579,839</u>
Committed					
Operational reserve	24,000,000	-	-	-	24,000,000
Child development program	-	-	-	1,777,148	1,777,148
WVFC leadership	1,290,186	-	-	-	1,290,186
Other postemployment benefits	9,657,332	-	-	-	9,657,332
Other commitments	8,109,683	-	-	-	8,109,683
Total committed	<u>43,057,201</u>	<u>-</u>	<u>-</u>	<u>1,777,148</u>	<u>44,834,349</u>
Assigned					
Program carryovers	5,598,788	-	-	-	5,598,788
Budget stabilization	14,120,798	-	-	-	14,120,798
Vacation liability	1,509,491	-	-	-	1,509,491
Capital projects	-	-	24,408,556	-	24,408,556
Total assigned	<u>21,229,077</u>	<u>-</u>	<u>24,408,556</u>	<u>-</u>	<u>45,637,633</u>
Unassigned					
Reserve for economic uncertainties	6,705,445	-	-	-	6,705,445
Total	<u>\$ 96,753,169</u>	<u>\$ 14,138,118</u>	<u>\$ 24,408,556</u>	<u>\$ 40,180,401</u>	<u>\$175,480,244</u>

Note 12 - Risk Management

The District's risk management activities are recorded in the General Fund and the Internal Service Fund. The District participates in various public entity risk pools (JPAs) for its workers' compensation and property and liability insurance. Refer to Note 15 for additional information regarding the 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 the year ending June 30, 2025, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), public entity risk pool, for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For year ended June 30, 2025, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), an insurance purchasing pool for workers' compensation coverage. The intent of the ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in ASCIP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in ASCIP. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with CalPERS and with various commercial insurance carriers to provide employee medical benefits, including health, dental, vision, and other miscellaneous insurance. The District pays a monthly premium based on the number of employees enrolled using pre-negotiated premium for each of the commercial insurance carriers and rates established by CalPERS.

Note 13 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic 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 year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 88,915,031	\$ 34,022,093	\$ 12,865,502	\$ 8,402,219
CalPERS	50,979,809	18,740,368	2,382,098	9,153,680
Total	<u>\$ 139,894,840</u>	<u>\$ 52,762,461</u>	<u>\$ 15,247,600</u>	<u>\$ 17,555,899</u>

The details of each plan are as follows:

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, 2023, 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: <http://www.calstrs.com/forms-publications>.

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 comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. 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 of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2025, 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 employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were \$17,413,419.

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

At June 30, 2025, 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	
Proportionate share of net pension liability	\$ 88,915,031
State's proportionate share of the net pension liability	40,794,522
Total	\$ 129,709,553

The net pension liability was measured as of June 30, 2024. 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 member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1324% and 0.1287%, resulting in a net increase in the proportionate share of 0.0037%.

For the year ended June 30, 2025, the District recognized pension expense of \$8,402,219. In addition, the District recognized pension expense and revenue of \$3,713,864 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 17,413,419	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,162,021	2,545,942
Differences between projected and actual earnings on pension plan investments	-	358,768
Differences between expected and actual experience in the measurement of the total pension liability	10,057,435	3,888,204
Changes of assumptions	389,218	6,072,588
Total	\$ 34,022,093	\$ 12,865,502

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (5,960,611)
2027	7,178,791
2028	(585,701)
2029	(991,247)
Total	\$ (358,768)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 103,374
2027	245,936
2028	318,296
2029	1,462,833
2030	1,992,436
Thereafter	(20,935)
Total	<u>\$ 4,101,940</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. 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 expense occurred midyear. Based on these 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 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%)	\$ 158,150,745
Current discount rate (7.10%)	88,915,031
1% increase (8.10%)	31,100,337

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system 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, 2023 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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/forms-publications>.

Benefits Provided

CalPERS provide 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, 2025, are summarized as follows:

	School Employer 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
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.05%	27.05%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$7,986,378.

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

As of June 30, 2025, the District reported a net pension liability for its proportionate share of the CalPERS net pension liability totaling \$50,979,809. The net pension liability was measured as of June 30, 2024. 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 member districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1426% and 0.1308%, resulting in a net increase in the proportionate share of 0.0118%.

For the year ended June 30, 2025, the District recognized pension expense of \$9,153,680. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,986,378	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,372,982	2,017,237
Differences between projected and actual earnings on pension plan investments	1,980,271	-
Differences between expected and actual experience in the measurement of the total pension liability	4,273,911	364,861
Changes of assumptions	1,126,826	-
Total	\$ 18,740,368	\$ 2,382,098

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (17,071)
2027	3,078,872
2028	(454,942)
2029	(626,588)
Total	\$ 1,980,271

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 2,778,755
2027	1,729,722
2028	1,883,144
Total	\$ 6,391,621

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

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. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the SEP investments was applied to all periods of projected benefit payments to determine 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 75,730,932
Current discount rate (6.90%)	50,979,809
1% increase (7.90%)	30,533,411

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 in the amount of \$8,237,275 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandate benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2025.

Construction Commitments

As of June 30, 2025, the District had committed under various capital expenditure purchase agreements for projects totaling approximately \$6.1 million to be funded through general obligation bonds and capital project apportionments from California Department of General Services.

Note 15 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the East San Gabriel Valley Regional Occupational Program (ESGVROP) joint powers authorities (JPAs). The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2025, the District made payments of \$1,308,815 (workers' compensation) and \$2,263,310 (property and liability) to ASCIP, and \$2,320,915 to ESGVROP.

Note 16 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the current and noncurrent portion of compensated absences were increased by \$7,415,082 and \$17,616,883, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	Governmental Activities
Net Position - Beginning, as previously reported on July 1, 2024	\$ 83,068,865
Change in accounting principle - adoption of GASB Statement No. 101	(25,031,965)
Net Position - Beginning, as restated on July 1, 2024	\$ 58,036,900

Required Supplementary Information
June 30, 2025

Walnut Valley Unified School District

Walnut Valley Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	\$ 162,909,167	\$ 167,404,332	\$ 166,847,901	\$ (556,431)
Federal sources	4,479,339	5,151,021	4,344,713	(806,308)
Other State sources	29,780,782	20,781,969	21,813,348	1,031,379
Other local sources	15,585,064	21,461,135	27,863,620	6,402,485
Total revenues ¹	<u>212,754,352</u>	<u>214,798,457</u>	<u>220,869,582</u>	<u>6,071,125</u>
Expenditures				
Current				
Certificated salaries	91,315,481	94,327,440	93,337,034	990,406
Classified salaries	27,295,481	28,395,770	30,024,179	(1,628,409)
Employee benefits	58,480,818	59,308,560	58,966,228	342,332
Books and supplies	17,389,935	11,174,241	8,300,369	2,873,872
Services and operating expenditures	19,311,187	19,798,662	21,944,309	(2,145,647)
Other outgo	3,202,445	3,664,476	1,630,215	2,034,261
Capital outlay	1,301,605	9,909,039	9,246,856	662,183
Debt service				
Debt service - principal	-	-	76,111	(76,111)
Debt service - interest and other	-	-	14,261	(14,261)
Total expenditures ¹	<u>218,296,952</u>	<u>226,578,188</u>	<u>223,539,562</u>	<u>3,038,626</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(5,542,600)</u>	<u>(11,779,731)</u>	<u>(2,669,980)</u>	<u>9,109,751</u>
Other Financing Sources				
Transfers in	1,300,000	1,300,000	1,300,000	-
Other sources - leases	-	-	24,718	24,718
Net financing sources	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,324,718</u>	<u>24,718</u>
Net Change in Fund Balances	(4,242,600)	(10,479,731)	(1,345,262)	9,134,469
Fund Balance - Beginning	<u>98,098,431</u>	<u>98,098,431</u>	<u>98,098,431</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 93,855,831</u>	<u>\$ 87,618,700</u>	<u>\$ 96,753,169</u>	<u>\$ 9,134,469</u>

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

Walnut Valley Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 1,966,187	\$ 1,260,590	\$ 1,252,688	\$ 1,511,103
Interest	964,671	1,021,793	795,638	630,061
Difference between expected and actual experience	-	105,271	-	(2,873,151)
Changes of assumptions	(2,775,828)	(422,231)	(225,025)	(4,745,091)
Benefit payments	(1,216,999)	(1,091,367)	(749,827)	(890,100)
Net change in total OPEB liability	(1,061,969)	874,056	1,073,474	(6,367,178)
Total OPEB Liability - Beginning	24,171,753	23,297,697	22,224,223	28,591,401
Total OPEB Liability - Ending	<u>\$ 23,109,784</u>	<u>\$ 24,171,753</u>	<u>\$ 23,297,697</u>	<u>\$ 22,224,223</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Walnut Valley Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,470,660	\$ 1,097,654	\$ 1,110,390	\$ 1,141,520
Interest	727,948	705,912	730,143	740,182
Difference between expected and actual experience	-	(970,982)	-	-
Changes of assumptions	916,646	1,978,651	331,419	256,370
Benefit payments	(833,817)	(1,400,578)	(1,317,738)	(1,189,745)
Net change in total OPEB liability	2,281,437	1,410,657	854,214	948,327
Total OPEB Liability - Beginning	26,309,964	24,899,307	24,045,093	23,096,766
Total OPEB Liability - Ending	<u>\$ 28,591,401</u>	<u>\$ 26,309,964</u>	<u>\$ 24,899,307</u>	<u>\$ 24,045,093</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Walnut Valley Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.1931%	0.1903%	0.1839%	0.1841%
Proportionate share of the net OPEB liability	\$ 514,776	\$ 577,529	\$ 605,911	\$ 734,158
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.2174%	0.2209%	0.2218%	0.2272%
Proportionate share of the net OPEB liability	\$ 921,496	\$ 822,496	\$ 848,875	\$ 955,920
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ 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.

Note : In the future, as data becomes available, ten years of information will be presented.

Walnut Valley Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1324%	0.1287%	0.1226%	0.1224%	0.1248%
Proportionate share of the net pension liability	\$ 88,915,031	\$ 98,001,367	\$ 85,162,007	\$ 55,724,539	\$ 120,934,433
State's proportionate share of the net pension liability	40,794,522	46,955,211	42,648,800	28,038,427	62,341,715
Total	<u>\$ 129,709,553</u>	<u>\$ 144,956,578</u>	<u>\$ 127,810,807</u>	<u>\$ 83,762,966</u>	<u>\$ 183,276,148</u>
Covered payroll	<u>\$ 87,908,052</u>	<u>\$ 78,874,440</u>	<u>\$ 70,898,369</u>	<u>\$ 68,530,328</u>	<u>\$ 68,208,825</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	101.15%	124.25%	120.12%	81.31%	177.30%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1249%	0.1236%	0.1255%	0.1253%	0.1340%
Proportionate share of the net pension liability	\$ 112,761,655	\$ 113,557,678	\$ 116,066,690	\$ 101,350,286	\$ 90,210,149
State's proportionate share of the net pension liability	61,519,011	65,017,082	68,664,073	57,696,910	47,711,224
Total	<u>\$ 174,280,666</u>	<u>\$ 178,574,760</u>	<u>\$ 184,730,763</u>	<u>\$ 159,047,196</u>	<u>\$ 137,921,373</u>
Covered payroll	<u>\$ 69,408,839</u>	<u>\$ 75,953,333</u>	<u>\$ 68,549,452</u>	<u>\$ 66,295,946</u>	<u>\$ 58,929,606</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	162.46%	135.81%	169.32%	152.88%	153.08%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Walnut Valley Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2025

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1426%	0.1308%	0.1473%	0.1417%	0.1407%
Proportionate share of the net pension liability	\$ 50,979,809	\$ 47,339,618	\$ 50,674,541	\$ 28,819,684	\$ 43,175,170
Covered payroll	\$ 29,931,458	\$ 24,383,453	\$ 22,791,131	\$ 20,380,024	\$ 20,283,779
Proportionate share of the net pension liability as a percentage of its covered payroll	170.32%	194.15%	222.34%	141.41%	212.86%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1457%	0.1446%	0.1489%	0.1515%	0.1537%
Proportionate share of the net pension liability	\$ 42,460,668	\$ 38,542,297	\$ 35,555,258	\$ 29,919,729	\$ 22,660,229
Covered payroll	\$ 21,525,407	\$ 18,977,497	\$ 18,806,264	\$ 19,477,961	\$ 16,994,835
Proportionate share of the net pension liability as a percentage of its covered payroll	197.26%	203.09%	189.06%	153.61%	133.34%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Walnut Valley Unified School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 17,413,419	\$ 16,790,438	\$ 15,065,018	\$ 11,996,004	\$ 11,067,648
Less contributions in relation to the contractually required contribution	<u>17,413,419</u>	<u>16,790,438</u>	<u>15,065,018</u>	<u>11,996,004</u>	<u>11,067,648</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 91,169,733</u>	<u>\$ 87,908,052</u>	<u>\$ 78,874,440</u>	<u>\$ 70,898,369</u>	<u>\$ 68,530,328</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 11,663,709	\$ 11,299,759	\$ 10,960,066	\$ 8,623,521	\$ 7,113,555
Less contributions in relation to the contractually required contribution	<u>11,663,709</u>	<u>11,299,759</u>	<u>10,960,066</u>	<u>8,623,521</u>	<u>7,113,555</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 68,208,825</u>	<u>\$ 69,408,839</u>	<u>\$ 75,953,333</u>	<u>\$ 68,549,452</u>	<u>\$ 66,295,946</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>

Walnut Valley Unified School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2025

CalPERS	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 7,986,378	\$ 7,985,713	\$ 6,186,082	\$ 5,221,448	\$ 4,218,665
Less contributions in relation to the contractually required contribution	<u>7,986,378</u>	<u>7,985,713</u>	<u>6,186,082</u>	<u>5,221,448</u>	<u>4,218,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 29,524,503</u>	<u>\$ 29,931,458</u>	<u>\$ 24,383,453</u>	<u>\$ 22,791,131</u>	<u>\$ 20,380,024</u>
Contributions as a percentage of covered payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 4,000,164	\$ 3,887,919	\$ 2,947,395	\$ 2,611,814	\$ 2,307,554
Less contributions in relation to the contractually required contribution	<u>4,000,164</u>	<u>3,887,919</u>	<u>2,947,395</u>	<u>2,611,814</u>	<u>2,307,554</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 20,283,779</u>	<u>\$ 21,525,407</u>	<u>\$ 18,977,497</u>	<u>\$ 18,806,264</u>	<u>\$ 19,477,961</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>

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 State 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 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.

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 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.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – Changes of assumptions reflect a change in the discount rate from 3.93% to 5.20% since the previous valuation.

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 plan fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

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.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of the District's 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.

Supplementary Information
June 30, 2025

Walnut Valley Unified School District

Walnut Valley Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Special Education Cluster (IDEA)			
Passed through California Department of Education (CDE)			
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	\$ 168,805
Passed through East San Gabriel Valley Special Education Local Plan Area			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,578,643
Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	299,247
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	27,392
Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	<u>4,065</u>
Subtotal Special Education Cluster (IDEA)			<u>2,078,152</u>
Passed through CDE			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	1,321,451
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	336,063
Title III, English Learner Student Program	84.365	14346	171,994
Title III, Immigrant Student Program	84.365	15146	<u>137,837</u>
Subtotal			<u>309,831</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	107,827
Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Sec. 131	84.048	14894	72,653
Passed through California Department of Rehabilitation			
Workability II, Transitions Partnership Program	84.126	10006	<u>118,737</u>
Total U.S. Department of Education			<u>4,344,714</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
Child Nutrition: School Programs (NSL Sec 4)	10.555	13523	808,919
Child Nutrition: School Programs (NSL Sec 11)	10.555	13524	1,704,969
Child Nutrition: School Programs (School Breakfast Basic)	10.553	13525	621,238
Supply Chain Assistance (SCA) Funds	10.555	15655	370,977
National School Lunch Program - Commodity Supplemental Food	10.555	13524	<u>590,490</u>
Subtotal Child Nutrition Cluster			<u>4,096,593</u>
Total U.S. Department of Agriculture			<u>4,096,593</u>
Total Federal Financial Assistance			<u>\$ 8,441,307</u>

Walnut Valley Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	Second Period Report EA83ED56	Annual Report 737C356B
Regular ADA		
Transitional kindergarten through third	3,581.28	3,591.15
Fourth through sixth	3,184.48	3,191.67
Seventh and eighth	2,273.90	2,278.40
Ninth through twelfth	4,576.61	4,569.15
Total Regular ADA	13,616.27	13,630.37
Extended Year Special Education		
Transitional kindergarten through third	5.54	5.54
Fourth through sixth	2.62	2.62
Seventh and eighth	2.82	2.82
Ninth through twelfth	5.91	5.91
Total Extended Year Special Education	16.89	16.89
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	0.44
Fourth through sixth	0.99	0.80
Seventh and eighth	0.75	0.78
Ninth through twelfth	10.69	10.74
Total Special Education, Nonpublic, Nonsectarian Schools	12.43	12.76
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.09	0.09
Ninth through twelfth	1.10	1.10
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.19	1.19
Total ADA	13,646.78	13,661.21

Walnut Valley Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	43,450	-	43,450	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		50,742	-	50,742	180	-	180	N/A	N/A	N/A	Complied
Grade 2		50,742	-	50,742	180	-	180	N/A	N/A	N/A	Complied
Grade 3		50,742	-	50,742	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		54,302	-	54,302	180	-	180	N/A	N/A	N/A	Complied
Grade 5		54,302	-	54,302	180	-	180	N/A	N/A	N/A	Complied
Grade 6		54,324	-	54,324	180	-	180	N/A	N/A	N/A	Complied
Grade 7		54,324	-	54,324	180	-	180	N/A	N/A	N/A	Complied
Grade 8		54,324	-	54,324	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		64,958	-	64,958	180	-	180	N/A	N/A	N/A	Complied
Grade 10		64,958	-	64,958	180	-	180	N/A	N/A	N/A	Complied
Grade 11		64,958	-	64,958	180	-	180	N/A	N/A	N/A	Complied
Grade 12		64,958	-	64,958	180	-	180	N/A	N/A	N/A	Complied

Walnut Valley Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2025

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund
Fund Balance	
Balance, June 30, 2025, Unaudited Actuals	\$ 95,540,993
Increase in Receivables	1,212,176
Balance, June 30, 2025, Audited Financial Statements	\$ 96,753,169

Walnut Valley Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

	(Budget) 2026 ¹	2025	2024 ^{1,4}	2023 ^{1,4}
General Fund ³				
Revenues	\$ 212,250,993	\$ 219,981,910	\$ 215,744,542	\$ 216,484,563
Other sources	650,000	1,324,718	73,375	22,063
Total Revenues and Other Sources	<u>212,900,993</u>	<u>221,306,628</u>	<u>215,817,917</u>	<u>216,506,626</u>
Expenditures	216,580,032	223,539,562	224,688,766	188,934,068
Other uses	75,000	-	-	2,000,000
Total Expenditures and Other Uses	<u>216,655,032</u>	<u>223,539,562</u>	<u>224,688,766</u>	<u>190,934,068</u>
Increase/(Decrease) in Fund Balance	<u>(3,754,039)</u>	<u>(2,232,934)</u>	<u>(8,870,849)</u>	<u>25,572,558</u>
Ending Fund Balance	<u>\$ 75,232,115</u>	<u>\$ 78,986,154</u>	<u>\$ 81,219,088</u>	<u>\$ 90,089,937</u>
Available Reserves ²	<u>\$ 6,497,401</u>	<u>\$ 6,705,445</u>	<u>\$ 6,830,662</u>	<u>\$ 6,803,762</u>
Available Reserves as a Percentage of Total Outgo	<u>3.00%</u>	<u>3.00%</u>	<u>3.04%</u>	<u>3.56%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 453,592,207</u>	<u>\$ 444,020,767</u>	<u>\$ 441,826,526</u>
K-12 Average Daily Attendance at P-2	<u>13,718</u>	<u>13,647</u>	<u>13,349</u>	<u>13,002</u>

The General Fund balance has decreased by \$11,103,783 over the past two years. The fiscal year 2025-2026 budget projects decrease of \$3,754,039 (4.75%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$11,765,681 over the past two years.

Average daily attendance has increased by 645 over the past two years. Additional growth of 71 ADA is anticipated during fiscal year 2025-2026.

¹ Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, as required by GASB Statement No. 54.

⁴ Long-term liability amounts for 2024 and 2023 have not been restated for the implementation of GASB Statement No. 101. See Note 16 for further information.

Walnut Valley Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2025

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets						
Deposits and investments	\$ 2,350,026	\$ 18,245,366	\$ 3,436,588	\$ -	\$ 15,508,007	\$ 39,539,987
Receivables	43,509	1,454,006	33,847	-	-	1,531,362
Prepaid expenditures	-	28,578	-	-	-	28,578
Stores inventories	-	91,073	-	-	-	91,073
Total assets	\$ 2,393,535	\$ 19,819,023	\$ 3,470,435	\$ -	\$ 15,508,007	\$ 41,191,000
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 397,970	\$ 300,091	\$ 6,251	\$ -	\$ -	\$ 704,312
Unearned revenue	182,294	123,993	-	-	-	306,287
Total liabilities	580,264	424,084	6,251	-	-	1,010,599
Fund Balances						
Nonspendable	-	125,311	-	-	-	125,311
Restricted	36,123	19,269,628	3,464,184	-	15,508,007	38,277,942
Committed	1,777,148	-	-	-	-	1,777,148
Total fund balance	1,813,271	19,394,939	3,464,184	-	15,508,007	40,180,401
Total liabilities and fund balances	\$ 2,393,535	\$ 19,819,023	\$ 3,470,435	\$ -	\$ 15,508,007	\$ 41,191,000

Walnut Valley Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Non-Major Governmental Funds
Year Ended June 30, 2025

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Revenues			
Federal sources	\$ -	\$ 3,401,447	\$ -
Other State sources	10	7,221,616	-
Other local sources	3,799,783	1,259,619	1,841,947
Total revenues	<u>3,799,793</u>	<u>11,882,682</u>	<u>1,841,947</u>
Expenditures			
Current			
Instruction	717,543	-	-
Pupil services			
Food services	105,599	8,452,622	-
Administration			
All other administration	370,977	223,987	-
Community services	4,698,186	-	-
Facility acquisition and construction	-	-	43,800
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	<u>5,892,305</u>	<u>8,676,609</u>	<u>43,800</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,092,512)</u>	<u>3,206,073</u>	<u>1,798,147</u>
Other Financing Uses			
Transfers out	-	-	-
Net Change in Fund Balances	(2,092,512)	3,206,073	1,798,147
Fund Balance - Beginning	<u>3,905,783</u>	<u>16,188,866</u>	<u>1,666,037</u>
Fund Balance - Ending	<u>\$ 1,813,271</u>	<u>\$ 19,394,939</u>	<u>\$ 3,464,184</u>

Walnut Valley Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Non-Major Governmental Funds
Year Ended June 30, 2025

	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Revenues			
Federal sources	\$ -	\$ -	\$ 3,401,447
Other State sources	2,845,993	71,415	10,139,034
Other local sources	-	17,981,651	24,883,000
Total revenues	<u>2,845,993</u>	<u>18,053,066</u>	<u>38,423,481</u>
Expenditures			
Current			
Instruction	-	-	717,543
Pupil services			
Food services	-	-	8,558,221
Administration			
All other administration	-	-	594,964
Community services	-	-	4,698,186
Facility acquisition and construction	-	-	43,800
Debt service			
Principal	-	11,575,000	11,575,000
Interest and other	-	7,393,588	7,393,588
Total expenditures	<u>-</u>	<u>18,968,588</u>	<u>33,581,302</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,845,993</u>	<u>(915,522)</u>	<u>4,842,179</u>
Other Financing Uses			
Transfers out	<u>(2,845,993)</u>	<u>-</u>	<u>(2,845,993)</u>
Net Change in Fund Balances	-	(915,522)	1,996,186
Fund Balance - Beginning	<u>-</u>	<u>16,423,529</u>	<u>38,184,215</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 15,508,007</u>	<u>\$ 40,180,401</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District had no food commodities in inventory.

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of 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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Other Information
June 30, 2025

Walnut Valley Unified School District

ORGANIZATION

The Walnut Valley Unified School District was unified in 1970, and consists of an area comprising approximately 21 square miles. The District operates nine elementary schools, three middle schools, two comprehensive high schools, and one continuation school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Layla Abou-Taleb	President	2028
Larry L. Redinger	Vice President	2028
Yi “Tony” Torng, Ph.D.	Clerk	2026
Cynthia M. Ruiz	Member	2026
Helen Hall	Member	2026

ADMINISTRATION

NAME	TITLE
Robert P. Taylor, Ed.D.	Superintendent
Matthew A. Torres, Ed.D.	Deputy Superintendent of Business Services
Jeanette J. Koh, Ed.D.	Assistant Superintendent of Educational Services
Diane L. Perez, Ed.D.	Assistant Superintendent of Human Resources
Dinah Felix	Chief Operating Officer

Independent Auditor's Reports
June 30, 2025

Walnut Valley Unified School District



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Governing Board
Walnut Valley Unified School District
Walnut, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walnut Valley Unified School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 21, 2026.

Adoption of New Accounting Standard

As discussed in Note 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

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 District’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California
January 21, 2026



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

To the Governing Board
Walnut Valley Unified School District
Walnut, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Walnut Valley Unified School District’s (the District) 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 the District’s major federal program for the year ended June 30, 2025. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Walnut Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and 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 District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. 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 District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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 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 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 cursive script that reads "Eide Bailly LLP".

Ontario, California
January 21, 2026



Independent Auditor's Report on State Compliance and on Internal Control over Compliance

To the Governing Board
Walnut Valley Unified School District
Walnut, California

Report on Compliance

Opinion on State Compliance

We have audited Walnut Valley Unified School District's (the District) compliance with the requirements specified in the *2024-2025 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, 2025.

In our opinion, Walnut Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

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 (*Government Auditing Standards*); and the *2024-2025 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 District's state programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 *2024-2025 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 *2024-2025 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 *2024-2025 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:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
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	Yes
Home to School Transportation Reimbursement	Yes
 School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	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
Kindergarten Continuance	Yes
 Charter Schools	
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 for Independent Study or Continuation Education because average daily attendance reported did not exceed thresholds required for testing.

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Esde Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California
January 21, 2026

Schedule of Findings and Questioned Costs
June 30, 2025

Walnut Valley Unified School District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major program:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Child Nutrition Cluster	10.553, 10.555
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

Internal control over state compliance programs Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Other matters to be reported	No
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF WALNUT AND THE COUNTY OF LOS ANGELES

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The District comprises only a portion of Los Angeles County, California (the "County"), and the Bonds are only payable from ad valorem property taxes levied on property in the District. The following information concerning the County is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the County.

General

The County. The County is located in southern California and is the most populous County in the United States. Los Angeles County, California is commonly associated with the entertainment and digital media industry. The County's transportation facilities are excellent with many U.S. Routes, including Interstate 5, 110 and 405 and State Routes, including 1, 22, 60, and 213 providing access to the rest of California. The County is home to many airports, including the Los Angeles International Airport. The County is home to a major freight-railroad center, a passenger rail service, and two seaports, the Port of Los Angeles and Port of Long Beach. The County has a total area of 4,751 square miles of which 693 square miles are covered by water.

The City. The City of Walnut is located in the eastern part of Los Angeles County. The greater Walnut Valley is located between the steep San Jose Hills to the north and the gently sloping Puente Hills to the south. The City hosts a highly ranked public school system in Southern California. The City covers 9 square miles and is home to hundreds of businesses and housing consists of master-planned single family homes.

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Population

The following table shows historical population statistics, from 2021 to 2025, for the City, other cities in the County, the unincorporated portion of the County, and the County as a whole.

POPULATION ESTIMATES⁽¹⁾
Cities of Los Angeles County and County Total
Calendar Years 2021 through 2025

Area	2021	2022	2023	2024	2025
Agoura Hills	20,144	19,393	19,992	19,940	19,904
Alhambra	82,446	82,083	82,017	82,197	82,374
Arcadia	56,602	56,275	56,020	56,044	56,116
Artesia	16,322	16,239	16,153	16,146	16,359
Avalon	3,452	3,397	3,381	3,387	3,383
Azusa	50,122	49,596	49,786	49,736	48,988
Baldwin Park	71,591	71,045	70,736	70,685	70,848
Bell	33,911	33,668	33,482	33,366	33,315
Bellflower	78,170	77,634	77,027	76,902	76,656
Bell Gardens	39,319	38,774	38,560	38,438	38,471
Beverly Hills	32,540	32,266	32,071	31,984	31,945
Bradbury	913	896	901	895	902
Burbank	106,849	105,669	105,538	105,842	106,146
Calabasas	23,317	23,091	22,930	22,856	22,797
Carson	93,044	92,738	93,320	91,749	91,812
Cerritos	49,126	48,553	48,179	48,005	47,871
Claremont	38,238	37,426	37,238	37,305	37,299
Commerce	12,316	12,186	12,095	12,185	12,146
Compton	95,433	94,437	94,051	93,699	93,692
Covina	51,259	50,633	50,442	50,625	51,090
Cudahy	22,590	22,412	22,336	22,208	22,132
Culver City	40,373	40,088	39,915	40,340	40,403
Diamond Bar	54,809	54,039	53,667	53,577	53,539
Downey	113,340	112,458	111,931	111,891	111,871
Duarte	21,645	21,465	23,059	23,798	23,746
El Monte	108,685	107,416	106,828	107,104	107,986
El Segundo	17,262	17,049	16,985	17,001	16,983
Gardena	60,591	60,108	59,981	60,176	60,263
Glendale	194,823	193,358	192,174	191,706	192,212
Glendora	51,991	51,735	51,365	51,289	51,254
Hawaiian Gardens	13,805	13,683	13,586	13,552	13,561
Hawthorne	87,650	86,618	86,038	85,868	85,653
Hermosa Beach	19,612	19,233	19,102	19,055	19,014
Hidden Hills	1,733	1,743	1,735	1,742	1,746
Huntington Park	54,325	53,805	53,405	53,223	53,051
Industry	430	434	433	432	431
Inglewood	108,000	107,368	106,998	106,617	106,305

Irwindale	1,493	1,504	1,496	1,510	1,509
La Canada Flintridge	20,437	20,226	20,155	20,149	20,160
La Habra Heights	5,635	5,570	5,526	5,510	5,503
Lakewood	81,936	81,095	80,584	80,517	80,596
La Mirada	49,116	48,761	48,431	48,315	48,233
Lancaster	174,690	174,885	174,165	174,629	177,768
La Puente	37,750	37,720	37,566	37,508	37,546
La Verne	32,140	32,391	32,141	32,111	32,300
Lawndale	31,584	31,268	31,040	30,921	30,860
Lomita	20,835	20,589	20,439	20,398	20,407
Long Beach	460,902	461,265	460,575	460,545	462,561
Los Angeles	3,879,845	3,823,241	3,808,185	3,819,600	3,835,263
Lynwood	67,223	66,721	66,494	66,360	66,660
Malibu	10,730	10,614	10,624	10,623	10,604
Manhattan Beach	35,531	34,528	34,210	34,111	34,051
Maywood	25,035	24,796	24,635	24,557	24,496
Monrovia	38,078	37,710	37,589	38,181	38,920
Montebello	62,462	61,910	61,934	62,243	62,732
Monterey Park	60,818	59,857	59,498	59,349	59,269
Norwalk	102,957	101,930	101,565	101,416	101,075
Palmdale	198,789	166,925	166,322	166,580	167,097
Palos Verdes Estates	13,296	13,126	13,048	13,014	12,999
Paramount	53,255	52,728	52,502	52,415	52,371
Pasadena	139,870	138,745	138,311	140,054	140,631
Pico Rivera	61,799	61,358	61,027	60,859	60,858
Pomona	150,062	150,358	150,712	152,005	153,042
Rancho Palos Verdes	42,020	41,471	40,965	40,831	40,727
Redondo Beach	69,812	68,851	68,385	68,319	68,091
Rolling Hills	1,728	1,692	1,679	1,673	1,677
Rolling Hills Estates	8,535	8,511	8,502	8,557	8,545
Rosemead	50,986	50,349	50,171	50,296	50,501
San Dimas	34,662	34,503	34,274	34,226	34,209
San Fernando	23,585	23,590	23,574	23,546	23,692
San Gabriel	39,352	38,649	38,538	38,569	38,953
San Marino	12,535	12,330	12,291	12,341	12,330
Santa Clarita	228,294	229,938	232,092	231,573	232,377
Santa Fe Springs	18,495	18,722	18,547	18,515	18,680
Santa Monica	93,241	92,575	92,735	93,034	93,212
Sierra Madre	11,129	10,956	10,900	10,903	10,870
Signal Hill	11,706	11,540	11,477	11,457	11,421
South El Monte	19,516	19,653	19,544	19,538	19,535
South Gate	92,866	93,279	92,788	82,883	92,955
South Pasadena	26,830	26,399	26,322	26,272	26,287
Temple City	36,476	36,182	16,084	36,069	36,322
Torrance	146,240	144,534	143,686	143,410	143,261
Vernon	210	209	208	208	207
Walnut	28,322	28,073	27,987	28,008	28,214
West Covina	109,215	108,190	108,763	109,657	109,428

West Hollywood	35,528	35,378	35,344	35,520	35,284
Westlake Village	8,107	8,032	7,966	7,943	7,918
Whittier	87,755	87,635	87,475	87,720	87,850
Balance of County	1,016,342	1,009,585	1,002,776	1,002,700	1,004,490
Incorporated	8,950,011	8,860,627	8,831,510	8,845,943	8,872,321
Total	9,966,353	9,870,212	9,834,286	9,848,643	9,876,811

⁽¹⁾ Population estimates as of January 1st for cities in the County.

Source: California State Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2025, with 2020 Census Benchmark. Sacramento, California, May 2025.

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Employment

The County, State, and United States civilian labor force figures are shown in the following table for the years 2020 through 2024. The County figures are County-wide and may not necessarily reflect employment trends in the District.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT ⁽¹⁾
Los Angeles County, California, and the United States
Calendar Years 2020 through 2024

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽²⁾
2020				
Los Angeles County	4,972,600	4,363,200	609,400	12.3%
California	18,956,600	17,039,800	1,916,800	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
2021				
Los Angeles County	4,999,700	4,551,600	448,100	9.0%
California	18,954,600	17,564,900	1,389,700	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
Los Angeles County	5,021,800	4,771,700	250,100	5.0%
California	19,218,300	18,393,900	824,400	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
2023				
Los Angeles County	5,055,300	4,799,000	256,200	5.1%
California	19,471,000	18,551,800	919,200	4.7
United States	167,116,000	161,037,000	6,080,000	3.6
2024				
Los Angeles County	5,109,800	4,812,600	297,200	5.8%
California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

⁽¹⁾ The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: California State Employment Development Department, and U.S. Bureau of Labor Statistics.

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Industry

Educational and health services are the largest employers in the County followed by professional and business services. The table below shows the estimated employment by industry group for 2020 through 2024.

EMPLOYMENT BY INDUSTRY⁽¹⁾
Los Angeles County
Calendar Years 2020 through 2024

Industry	2020	2021	2022	2023	2024
Total Farm	4,400	4,600	4,800	4,700	4,800
Total Nonfarm	4,168,100	4,305,100	4,532,100	4,549,100	4,589,900
Goods Producing	463,700	463,800	474,700	471,300	463,300
Construction	146,600	149,000	151,300	151,200	150,900
Manufacturing	315,400	313,100	321,700	318,400	310,800
Service Providing	3,704,400	3,841,300	4,057,400	4,077,700	4,126,600
Wholesale Trade	201,100	202,600	204,400	200,200	195,300
Retail Trade	375,700	396,100	405,500	404,900	400,100
Transportation, Warehousing, Utl.	207,900	215,200	223,600	217,900	218,600
Information	191,100	208,800	234,900	193,100	189,800
Financial Activities	213,200	213,200	215,700	210,900	208,700
Professional Business and Services	601,000	630,800	666,900	656,800	657,800
Private Education and Health	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
Government	570,200	560,200	570,000	582,200	591,100
Total	4,172,500	4,309,700	4,536,900	4,553,700	4,594,700

⁽¹⁾ Data not seasonally adjusted; Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *State of California Employment Development Department Labor Market Information Division*, Industry Employment and Labor Force by Annual Average, March 2024 Benchmark. Sacramento, California, March 2024.

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Major Employers

The County and the City host a diverse mix of major employers representing industries ranging from government to entertainment, health services, and education. The following table lists the County's and the City's major employers in 2025.

MAJOR EMPLOYERS Los Angeles County Calendar Year of 2025

Employer Name	Location	Industry
All Nations Church	Sylmar	Churches
California State Univ Nrthrdg	Northridge	Schools-Universities & Colleges Academic
Cedars-Sinai Health System	West Hollywood	Health Care Management
County-Los Angeles Fire Dept	Commerce	Non-Profit Organizations
Emanate Health Queen-The Vly	West Covina	Hospitals
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
Live Nation	Los Angeles	Entertainment Bureaus
Long Beach City Hall	Long Beach	City Hall
Longshore Dispatch	Wilmington	Labor Organizations
Los Angeles County Fire Dept	Acton	Fire Departments
Los Angeles County Sheriff	Monterey Park	Government Offices-County
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
TELEVISION CITY	Los Angeles	Television Stations & Broadcasting Co
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 America's Labor Market Information System (ALMIS) Employer Database, 2026 1st Edition.

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The following table lists the City's top 10 principal employers as of June 30, 2025 by number of employees.

**PRINCIPAL EMPLOYERS
CITY OF WALNUT**

Employer	Number of Employees	Percentage of Total Employment
Mount San Antonio College	3,737	52%
Vons #2167	125	2
Edro Engineering Company, Inc.	84	1
Ronsin Photocopy Inc.	73	1
TJ Maxx #682	65	1
Applebee's Neighborhood Grill	58	1
Home Goods #282	54	1
McDonald's	52	1
Sodexo, Inc	49	1
Panera Bread #1630	47	1
Total	4,344	62.00

Source: City of Walnut, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025*.

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Income

The following tables show the personal income and per capita personal income for the County the State of California and the United States from 2020 through 2024.

PERSONAL INCOME Los Angeles County, State of California, and the United States Calendar Years 2020 through 2024

Year	Los Angeles County	California	United States
2020	\$678,659,849	\$2,770,488,779	\$19,613,059,000
2021	721,712,800	3,019,215,724	21,484,168,000
2022	728,349,845	3,021,645,501	22,144,814,000
2023	766,331,882	3,182,779,295	23,577,208,000
2024	818,509,319	3,400,237,317	24,897,613,000

Source: U.S. Bureau of Economic Analysis, SAINC1 State annual personal income summary: personal income, population, per capita personal income and CAINC1 County and MSA personal income summary: personal income, population, per capita personal income (accessed Tuesday, March 19, 2025).

PER CAPITA PERSONAL INCOME⁽¹⁾ Los Angeles County, State of California, and the United States Calendar Years 2020 through 2024

Year	Los Angeles County	California	United States
2020	\$67,889	\$70,100	\$59,151
2021	73,575	77,134	64,692
2022	74,714	77,196	66,298
2023	78,745	81,196	70,002
2024	73,888	86,232	73,204

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Commercial Activity

A summary of historic taxable sales in the County and City from 2020 through 2024 (the most recent data available) are shown in the following tables.

**VALUATION OF TAXABLE TRANSACTIONS
Los Angeles County
Fiscal Years 2020 through 2024**

Year	Total Retail and Food Permits	Retail and Food Taxable Transactions	Total Outlet Permits	Total Outlets Taxable Transactions
2020	226,643	\$113,415,974,122	376,990	\$157,737,984,456
2021	208,412	139,000,373,417	349,061	192,524,203,010
2022	210,441	150,622,623,637	354,092	213,716,609,338
2023	202,366	146,164,088,189	342,582	208,502,835,326
2024	202,854	141,136,404,163	344,742	202,317,676,637

Source: California Department of Tax and Fee Administration.

**VALUATION OF TAXABLE TRANSACTIONS
City of Walnut
Fiscal Years 2020 through 2024**

Year	Total Retail and Food Permits	Retail and Food Taxable Transactions	Total Outlet Permits	Total Outlets Taxable Transactions
2020	647	\$103,804,297	1,312	\$138,949,375
2021	668	127,018,165	1,343	169,854,327
2022	676	143,369,086	1,369	200,479,567
2023	669	134,619,903	1,342	188,737,920
2024	636	131,539,427	1,295	175,879,297

Source: California Department of Tax and Fee Administration.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Walnut Valley Unified School District (the “District”) in connection with the execution and delivery of \$ _____ aggregate principal amount of the District’s 2026 General Obligation Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on April 14, 2026 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist _____ (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be Fieldman, Rolapp & Associates, Inc dba Applied Best Practices.

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

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated _____, 2026 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than nine (9) months after the end of the District's fiscal year (currently ending June 30), which date would be March 31, commencing with the report for the fiscal year ending June 30, 2026, which would be due on March 31, 2027, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 4(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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include material financial information and operating data with respect to the District of the type included in this Official Statement in the following categories:

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

- (v) the current fiscal year assessed valuation of taxable property within the District; and
- (vi) secured tax levy collections and delinquencies, unless the Teeter Plan is adopted by the County of Los Angeles and such plan applies to both the 1% general purpose property tax levy and to the tax levy for general obligation bonds of the District.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Bonds;
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person (for the purposes of this subsection, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but

subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person); or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the securities, if material, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the securities;

(ii) Modifications of rights to security holders;

(iii) Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; and

(viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this

subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which is incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Disclosure Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Disclosure Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Disclosure Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Disclosure Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Disclosure Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Disclosure Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____

WALNUT VALLEY UNIFIED SCHOOL DISTRICT

By: _____

Superintendent

Acceptance of duties as Dissemination Agent:

FIELDMAN, ROLAPP & ASSOCIATES, INC.

By: _____

Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Walnut Valley Unified School District

Name of Issue: \$_____ 2026 General Obligation Refunding Bonds

Date of Issuance: _____, 2026

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated _____, 2026. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

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APPENDIX E

LOS ANGELES COUNTY INVESTMENT POLICY STATEMENT

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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
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

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Respectfully submitted,

A handwritten signature in cursive script that reads "Elizabeth B. Ginsberg". The signature is written in black 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.

**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.

**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**

Issuer Rating (1)			Investment Limit (2)
S&P Global	Moody's Analytics	Fitch Ratings	
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:

Score Differential	Percentage Reduction of Investment Limit
≤ 5 points weaker	0%
5 ≤ 10 points weaker	15%
10 ≤ 20 points weaker	30%
> 20 points weaker	50%

**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.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

General

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

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

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

