PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 28, 2026

NEW ISSUE – FULL BOOK-ENTRY

RATING: Moody's: "Aa1"*
(See "RATING" herein)

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

$35,000,000*
BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE IRVINE UNIFIED SCHOOL DISTRICT (GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES 2026E)

$14,845,000*
BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE IRVINE UNIFIED SCHOOL DISTRICT (2026 GENERAL OBLIGATION REFUNDING BONDS)

Dated: Date of Delivery **Due: September 1 as on the inside cover page**

This cover page contains 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 making an informed investment decision.

The Bonds of School Facilities Improvement District No. 1 of the Irvine Unified School District (General Obligation Bonds, 2016 Election, Series 2026E (the "Series E Bonds") and 2026 General Obligation Refunding Bonds (the "2026 Refunding Bonds")) (collectively, the "Bonds"), are being issued by the Irvine Unified School District (the "School District") on behalf of School Facilities Improvement District No. 1 of the Irvine Unified School District ("Improvement District No. 1").

The Series E Bonds were authorized at an election of the registered voters of Improvement District No. 1 held on June 7, 2016, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $319,000,000 principal amount of general obligation bonds of Improvement District No. 1 to finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities and costs related thereto, as approved by the voters, for schools in Improvement District No. 1. The Series E Bonds are the fifth series of bonds issued under the Authorization (as defined herein). The 2026 Refunding Bonds are being issued to refund certain outstanding general obligation bonds of the School District.

The Bonds are general obligation bonds of the School District issued on behalf of Improvement District No. 1 and are payable solely from *ad valorem* property taxes levied and collected by the County of Orange (the "County") on taxable property within Improvement District No. 1. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of principal of and interest on the Bonds upon all property subject to taxation within Improvement District No. 1, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates).

Interest on the Bonds accrues from the date of their delivery and is payable semiannually on September 1 and March 1 of each year, commencing March 1, 2027. The Bonds are issuable as fully registered Bonds in denominations of $5,000 principal amount or any integral multiple thereof. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, as designated Paying Agent, to The Depository Trust Company, New York, New York ("DTC") for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See APPENDIX F—"BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption" herein.

Maturity Schedule
(see inside cover page)

The Bonds were sold by competitive bid on September 3, 2026 to __________ (the "Purchaser"). The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the School District by its counsel and by Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about September 17, 2026.

Dated: September __, 2026.

* Prelimniary,subject to change.

MATURITY SCHEDULE

$35,000,000*
BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
OF THE IRVINE UNIFIED SCHOOL DISTRICT
(GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES 2026E)

Base CUSIP†: ___________

Maturity (September 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP†*
	$	%	%		
				C	
				C	
				C	
				C	
				C	
				C	
				C	
				C	
				C	
				C	

$___________ ____% Term Bonds due ________, Yield: _____% Price: _______[C] CUSIP No.† _____

** Preliminary, subject to change*
[C] Priced to optional redemption date of September 1, 20__ at par.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2026 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the School District nor the Purchaser takes any responsibility for the accuracy of such numbers.

$14,845,000*
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
OF THE IRVINE UNIFIED SCHOOL DISTRICT
(2026 GENERAL OBLIGATION REFUNDING BONDS)

Base CUSIP†: ___________

Maturity (September 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP†***
	$	%	%		

** Preliminary, subject to change*
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IRVINE UNIFIED SCHOOL DISTRICT

Board of Education

Jeff Kim, *President*
Lauren Brooks, *Clerk*
Connie Stone, *Member*
Cyril Yu, *Member*
Katie McEwen, *Member*

District Administrators

Cassie Parham, *Superintendent of Schools*
John Fogarty, *Assistant Superintendent, Business Services*
Kelvin Okino, *Executive Director of Facilities Planning & Construction*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent / Escrow Agent

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

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

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

Certain 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 Improvement District No. 1 and the School District herein.

Certain information set forth herein, other than that provided by the School District, 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 School District. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of Improvement District No. 1 or the School District since the date hereof.

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

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

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\$35,000,000* **BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE IRVINE UNIFIED SCHOOL DISTRICT (GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES 2026E)**	**\$14,845,000*** **BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE IRVINE UNIFIED SCHOOL DISTRICT (2026 GENERAL OBLIGATION REFUNDING BONDS)**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Bonds of School Facilities Improvement District No. 1 of the Irvine Unified School District (General Obligation Bonds, 2016 Election, Series 2026E (the "Series E Bonds") and 2026 General Obligation Refunding Bonds (the "2026 Refunding Bonds")) (collectively, the "Bonds").

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

The School District

The Irvine Unified School District (the "School District") is a unified school district organized under the laws of the State of California (the "State"). It was established in 1972, unified in 1973, and is located almost entirely within the City of Irvine, California, with a small portion of the School District located in the City of Tustin, California. The School District has a population of approximately 38,000 TK-12 students in one early childhood learning center, twenty-four elementary schools, five K-8 schools, six middle schools, five comprehensive high schools, one alternative education high school and two virtual academies.

The School District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every four years, alternating between two and three available positions. The management and policies of the School District are administered by a Superintendent appointed by the Board who is responsible for day to day operations of the School District and the supervision of the School District's other key personnel. See "THE SCHOOL DISTRICT."

Improvement District No. 1

School Facilities Improvement District No. 1 of the Irvine Unified School District ("Improvement District No. 1") is approximately 22.67 square miles in size, representing approximately 36.6% of the total area of the School District. The parcels within Improvement District No. 1 represent approximately 44% of the total assessed valuation of property within the School District and are primarily residential parcels. There are 41,139 taxable parcels within Improvement District No. 1. See "TAX BASE FOR REPAYMENT OF THE BONDS" and "IMPROVEMENT DISTRICT NO. 1" herein, and APPENDIX A hereto.

Sources of Payment for the Bonds

The Bonds are general obligation bonds of the School District issued on behalf of Improvement District No. 1 and are payable solely from *ad valorem* property taxes levied and collected by the County of Orange (the "County") on taxable property located within Improvement District No. 1. The Board of Supervisors of the County (the "County Board") is empowered and obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within Improvement District

No. 1 subject to taxation without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See "THE BONDS—Security and Sources of Payment" herein.

Purpose of Issue

The Series E Bonds are being issued to (i) finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities and costs related thereto, for schools in Improvement District No. 1, as approved by the voters at the June 7, 2016 Election, (ii) fund a debt service fund through and including September 1, 2028, and (iii) pay costs of issuance associated with the sale of the Series E Bonds.

The 2026 Refunding Bonds will be issued to provide funds to refund all or a portion of the School District's outstanding General Obligation Bonds, 2016 Election, Series 2016A (the "Refunded Series A Bonds").

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS—Description of the Bonds" and APPENDIX F—"BOOK-ENTRY ONLY SYSTEM." In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution (defined herein).

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds under the DTC system (the "Beneficial Owners") in the denominations of $5,000 principal amount or any integral multiple thereof.

Redemption. The Series E Bonds maturing on or after September 1, 2037 are subject to redemption prior to maturity, as a whole or in part, in a manner determined by the School District and by lot within a maturity, at option of the District, from any available source of funds, on September 1, 2036, and on any date thereafter, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium.

The 2026 Refunding Bonds shall not be subject to redemption prior to maturity.

Payments. Interest on the Bonds accrues from the date of delivery of the Bonds (the "Date of Delivery") and is payable semiannually on each March 1 and September 1 (each a "Bond Payment Date"), commencing March 1, 2027. Principal on the Bonds is payable in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association, the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

Authority for Issuance of the Bonds

The Series E Bonds and the 2026 Refunding Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable laws, and pursuant to a resolution adopted by the Board of Education of the School District acting on behalf of Improvement District No. 1. The Series E Bonds are the fifth series of bonds issued under the Authorization (as hereinafter defined). The 2026 Refunding Bonds are being issued to refund certain outstanding general obligation bonds of the School District. See "THE BONDS—Authority for Issuance" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about September 17, 2026*.

Continuing Disclosure

The School District will covenant for the benefit of bondholders and the beneficial owners of the Bonds to make available certain financial information and operating data relating to the School District and Improvement District No. 1 and to provide notices of the occurrence of certain enumerated events, in compliance with S.E.C. Rule 15c2-12(b)(5), as amended. The specific nature of the financial information and operating data to be made available and of the events for which notice will be provided is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Forward-Looking Statements

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Assistant Superintendent, Business Services, Irvine Unified School District, 5050 Barranca Parkway, Irvine, California 92604, telephone: (949) 936-5000. The School District may impose a charge for copying, mailing and handling.

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

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

**Preliminary, subject to change*

Capitalized terms used but not otherwise defined herein will have the meaning assigned to such terms by the Bond Resolution (defined herein).

THE BONDS

Authority for Issuance

The Series E Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and in accordance with other applicable laws, including Chapter 2 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (collectively, the "Act"), and pursuant to a resolution adopted by the Board of Education of the School District, acting on behalf of Improvement District No. 1, on August 25, 2026 (the "Bond Resolution"). The 2026 Refunding Bonds will be issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and the Bond Resolution.

The District received authorization at an election held on June 7, 2016, by an affirmative vote of 55% or more of the votes cast by eligible voters within Improvement District No. 1 to issue $319,000,000 of general obligation bonds (the "Authorization"). The Series E Bonds are the fifth issuance of bonds within the Authorization. The 2026 Refunding Bonds are being issued to refund outstanding Series A Bonds. On October 25, 2016, the School District issued the first series of bonds under the Authorization in the aggregate principal amount of $95,000,000 (the "Series A Bonds"). On September 13, 2018, the School District issued the second series of bonds under the Authorization in the aggregate principal amount of $41,000,000 (the "Series B Bonds"). On April 7, 2021, the School District issued the third series of bonds under the Authorization in the aggregate principal amount of $45,000,000 (the "Series C Bonds"). On October 11, 2023, the School District issued the fourth series of bonds under the Authorization in the aggregate principal amount of $60,000,000 (the "Series D Bonds").

Security and Sources of Payment

The Bonds are general obligation bonds of the School District issued on behalf of Improvement District No. 1, payable solely from *ad valorem* taxes levied on property within Improvement District No. 1. The County Board is empowered and obligated to annually levy *ad valorem* taxes for the payment of principal of and interest on the Bonds upon all property within Improvement District No. 1 subject to taxation by Improvement District No. 1 without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited into the fund designated as the "School Facilities Improvement District No. 1 of the Irvine Unified School District General Obligation Bonds, 2016 Election, Series 2026E and 2026 General Obligation Refunding Bonds Debt Service Fund" (the "Debt Service Fund"). The Debt Service Fund is held by the County and is required by the Act to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and will hold the Debt Service Fund, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, shall be transferred by the Paying Agent to DTC for remittance of such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

As of June 30, 2026, the Series A Bonds are currently outstanding in the aggregate principal amount of $62,430,000, the Series B Bonds are currently outstanding in the aggregate principal amount of $37,700,000, the Series C Bonds are currently outstanding in the aggregate principal amount of $44,425,000, and the Series D Bonds are currently outstanding the aggregate principal amount of $59,500,000. All or a portion of the outstanding aggregate principal amount of the Series A Bonds will be refunded with the proceeds from the 2026 Refunding Bonds.

Upon issuance of the Bonds, the School District will have $235,705,000 principal amount of general obligation bonds outstanding, all of which will have been issued for the benefit of Improvement District No. 1 and is payable solely from *ad valorem* property taxes levied on taxable property within the School District to repay such bonds.

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds, the unrefunded Series A Bonds, the Series B Bonds, the Series C Bonds and the Series D Bonds will be determined by the relationship between the assessed valuation of taxable property in Improvement District No. 1 and the amount of debt service due on the Bonds, the unrefunded Series A Bonds, the Series B Bonds, the Series C Bonds and the Series D Bonds in any year. Fluctuations in the annual debt service on the Bonds, the unrefunded Series A Bonds, the Series B Bonds, the Series C Bonds and the Series D Bonds and the assessed value of taxable property in Improvement District No. 1 may cause the annual tax rate to fluctuate. Economic and other factors beyond the School District's control, such as economic recession, deflation of land values, a relocation out of Improvement District No. 1 or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value within Improvement District No. 1 and necessitate a corresponding increase in the annual tax rate in such Improvement District No. 1. For further information regarding Improvement District No. 1's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. The Beneficial Owners who purchase ownership interests in the Bonds will not receive certificates representing their interest in the Bonds.

Interest on the Bonds accrues from their date of delivery, and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2027. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before February 15. 2027, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on September 1, in the years and amounts set forth on the inside cover page hereof.

Paying Agent

U.S. Bank Trust Company, National Association, Los Angeles, California, will act as the Paying Agent for the Bonds. As long as 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 required under the Bond Resolution only to DTC and not to the Beneficial Owners.

The School District has no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership of interests in the Bonds under DTC's book-entry system, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM" herein.

Payment

The principal of the Bonds will be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least $1,000,000 of outstanding Bonds, who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Redemption

Optional Redemption. The Series E Bonds maturing on or before September 1, 2036 are not subject to redemption prior to their respective stated maturities. The Series E Bonds maturing on and after September 1, 2037 are subject to redemption prior to their respective stated maturity dates, at the option of the School District, from any source of available funds, in whole or in part, on any date on or after September 1, 2036, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

The 2026 Refunding Bonds are not subject to redemption prior to their respective stated maturities.

Selection of Series E Bonds for Redemption. Whenever provision is made for the optional redemption of Series E Bonds and less than all Series E Bonds are to be redeemed, the Paying Agent, upon written instruction from the School District, shall select Series E Bonds for redemption from one or more maturities as directed by the School District. Within a maturity, the Paying Agent shall select Series E Bonds for redemption by lot in such manner as the Paying Agent shall determine; provided that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. So long as the Series E Bonds are registered to DTC or its nominee, notices of redemption will be sent only to DTC in the manner provided for in its procedures and will not be sent by the Paying Agent to the Beneficial Owners.

Notice of any redemption of Series E Bonds will be given by the Paying Agent by first class mail, postage prepaid to each Owner of the Series E Bonds at the addresses appearing on the Bond registration books at least 30 but not more than 60 days prior to the redemption date; provided, however, as long as all of the Outstanding Series E Bonds are held in book-entry form, any such redemption notice may be delivered in such manner as provided for or agreed to by DTC. In the case of any optional redemption, the Paying Agent shall mail a notice of redemption only following receipt of written instructions from the School District to mail such notice. Such notice of redemption shall specify: (a) the Series E Bonds or designated portions thereof (in the case of redemption of the Series E Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series E Bonds to be redeemed, (f) the numbers of the Series E Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice of redemption shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date in the case of the Series E Bonds, and that from and after the redemption date, interest with respect thereto shall cease to accrue. Such notice of redemption (and related notices) may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Series E Bonds.

In case of the redemption of all the Series E Bonds of any one maturity then Outstanding, notice of redemption shall be given by mailing as provided in the Bond Resolution, except that any such notice of redemption need not specify the serial numbers of the Series E Bonds of such maturity.

Any notice of redemption for an optional redemption of the Series E Bonds delivered in accordance with the Bond Resolution may be conditional, and, if any condition stated in such 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 School District shall not be required to redeem such Series E 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 such conditional notice of redemption was given that such condition or conditions were not met and that the redemption was canceled.

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

Payment of Redeemed Series E Bonds. When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for the purpose in the Debt Service Fund, the Series E Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Series E Bonds at the place specified in the notice of redemption, such Series E Bonds will be redeemed and paid at said redemption price out of the Debt Service Fund, and no interest will accrue on such Series E Bonds called for redemption after the redemption date specified in such notice, and the owners of said Series E Bonds so called for redemption after such redemption date will look for the payment of such Series E Bonds and the premium, if any, thereon only to the Debt Service Fund.

Partial Redemption of Series E Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Series E Bonds of like tenor and maturity and of authorized denominations equal in Principal Amount to the unredeemed portion of the Bond surrendered. Such partial redemption will be valid upon payment of the amount required to be paid to such Owner, and the County, the School District and Improvement District No. 1 will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of all the Series E Bonds to be redeemed, together with interest accrued to such redemption date, is held by the Paying Agent or an independent escrow agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Series E Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Series E Bonds will be held in trust for the account of the Owners of the Series E Bonds so to be redeemed.

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

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

Defeasance

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

(a) Cash: by irrevocably depositing an amount of cash which together with amounts on deposit in the Debt Service Fund or with an escrow bank, is sufficient to pay any or all Bonds Outstanding, including all Principal and interest and premium, if any; or

(b) Government Obligations: by irrevocably depositing in the Debt Service Fund or with an escrow bank noncallable United States Obligations (defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge any or all Bonds (including all Principal and interest represented thereby and redemption premiums, if any) at or before their maturity date;

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

"United States Obligations" means direct and general obligations of the United States of America, or obligations that are fully and unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claims of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated the same as the underlying United States Obligations.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the School District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Bond Resolution (the "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal of and premium, if any, and interest on any Bond will be made only to or upon the order of that person; neither the School District nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments will be valid and effectual to satisfy and discharge the School District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of like tenor, maturity and Principal Amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A

Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the Paying Agent shall sign and authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of Improvement District No. 1, evidencing the same debt, and entitled to the same security and benefit under the Bond Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be canceled by the Paying Agent. The School District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the School District may have acquired in any manner whatsoever, and those Bonds shall be promptly cancelled by the Paying Agent. As requested, written reports of the surrender and cancellation of Bonds shall be made to the School District by the Paying Agent. The cancelled Bonds shall be retained for a period of time, then returned to the School District or destroyed by the Paying Agent as directed by the School District.

Neither the School District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a 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 Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF BOND FUNDS

The estimated sources and uses of funds with respect to the Series E Bonds will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$
Net Original Issue Premium	
Total Sources	$
Uses of Funds	
Building Fund	$
Debt Service Fund(1)	
Underwriter's Discount	
Total Uses	$

(1) Includes a portion of the interest due on the Bonds through September 1, 2028.

The estimated sources and uses of funds with respect to the 2026 Refunding Bonds will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$
Net Original Issue Premium	
Total Sources	$
Uses of Funds	
Escrow Fund	$
Underwriter's Discount	
Additional Proceeds	
Total Uses	$

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions):

Period Ending September 1	*Annual Principal Payment*	*Annual Interest Payment*[1]	*Total Debt Service*
	$	$	$
Total	$	$	$

(1) Interest payments will be made semiannually on March 1 and September 1 of each year, commencing March 1, 2027.

The following table summarizes the aggregate annual debt service requirements for the Series A Bonds, the Series B Bonds, the Series C Bonds, the Series D Bonds and the Bonds that will be outstanding following the issuance of the Bonds:

Irvine Unified School District
SFID No. 1 General Obligation Bonds Aggregate Annual Debt Service*

Year Ending (September 1)	*Series A Bonds[(1)]*	*Series B Bonds*	*Series C Bonds*	*Series D Bonds*	*Series E Bonds*	*2026 Refunding Bonds*	*Total*
2026	$ 5,454,743.76	$ 1,593,325.00	$ 1,240,325.00	$ 2,927,093.76	--	--	$ 11,215,487.52
2027	5,618,243.76	1,608,325.00	1,240,325.00	3,130,993.76	--	$	11,597,887.52
2028	5,785,243.76	1,672,500.00	1,240,325.00	3,293,618.76	--		11,991,687.52
2029	2,979,943.76	1,963,100.00	1,475,325.00	2,891,618.76	$		9,309,987.52
2030	3,066,943.76	2,037,475.00	1,533,575.00	2,935,518.76			9,573,512.52
2031	3,158,343.76	2,111,625.00	1,593,325.00	3,036,943.76			9,900,237.52
2032	3,253,743.76	2,190,275.00	1,649,325.00	3,147,593.76			10,240,937.52
2033	3,352,743.76	2,267,875.00	1,711,575.00	3,256,643.76			10,588,837.52
2034	3,454,943.76	2,354,150.00	1,774,575.00	3,368,818.76			10,952,487.52
2035	3,556,193.76	2,438,275.00	1,838,075.00	3,493,568.76			11,326,112.52
2036	3,662,493.76	2,529,975.00	1,906,825.00	3,614,793.76		--	11,714,087.52
2037	3,773,543.76	2,618,425.00	1,975,325.00	3,742,218.76		--	12,109,512.52
2038	3,884,043.76	2,718,350.00	2,052,725.00	3,875,018.76		--	12,530,137.52
2039	4,003,843.76	2,817,500.00	2,125,525.00	4,012,368.76		--	12,959,237.52
2040	4,122,493.76	2,918,700.00	2,198,725.00	4,153,443.76		--	13,393,362.52
2041	4,244,843.76	3,028,100.00	2,272,125.00	4,307,418.76		--	13,852,487.52
2042	4,376,250.00	3,135,100.00	2,350,525.00	4,457,918.76		--	14,319,793.76
2043	4,505,156.26	3,249,500.00	2,434,025.00	4,620,168.76		--	14,808,850.02
2044	4,641,406.26	3,370,700.00	2,532,025.00	4,778,918.76		--	15,323,050.02
2045	4,779,531.26	3,493,100.00	2,631,525.00	4,948,668.76		--	15,852,825.02
2046	4,924,218.76	3,621,300.00	2,732,400.00	5,118,168.76		--	16,396,087.52
2047	--	4,874,700.00	3,849,812.50	6,666,668.76		--	15,391,181.26
2048	--	5,045,625.00	4,041,012.50	6,869,418.76		--	15,956,056.26
2049	--	--	9,416,250.00	7,099,418.76		--	16,515,668.76
2050	--	--	9,713,750.00	7,359,168.76		--	17,072,918.76
2051	--	--	--	12,290,156.26		--	12,290,156.26
2052	--	--	--	--		--	0.00
Total	$ 86,598,912.70	$ 63,658,000.00	$ 67,529,325.00	$119,396,350.26	$	$	$ 337,182,587.96

(1) Does not reflect refunding of Series A Bonds from the proceeds of the 2026 Refunding Bonds.

* *Preliminary, subject to change.*

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds of the sale of the Series E Bonds, other than any premium on the Series E Bonds and amounts applied to pay underwriter's discount and debt service on the Series E Bonds, shall be deposited in the "School Facilities Improvement District No. 1 of the Irvine Unified School District General Obligation Bonds, 2016 Election, Series 2026E Building Fund" (the "Building Fund") and shall be applied only for the purposes for which the Series E Bonds are issued. Any interest earnings on moneys held in the Building Fund shall be retained in the Building Fund.

Refunding Plan

The net proceeds of the 2026 Refunding Bonds will be transferred to U.S. Bank Trust Company, National Association (the "Escrow Bank") for deposit in an escrow fund to be established under an Escrow Agreement dated as of September 1, 2026 (the "Escrow Agreement"), by and between the School District and the Escrow Bank. The Escrow Bank will invest the net proceeds of the Bonds in the "Escrow Investments" specified under the Escrow Agreement that mature no later than _____, 2026. The Escrow Bank will invest the net proceeds of the Bonds in certain federal securities as specified in the Escrow Agreement. These funds will be sufficient to pay the redemption price of the Refunded Series A Bonds on _________, 2026 (the "Redemption Date"), together with accrued interest through such date.

Sufficiency of the deposits in the escrow fund for those purposes will be verified by Causey Public Finance LLC, Denver, Colorado. Assuming the accuracy of Causey Public Finance LLC's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the Refunded Series A Bonds will be defeased under the provisions of the resolution under which they were issued, as of the date of issuance of the Bonds.

Other Uses of 2026 Refunding Bonds Proceeds. The remaining proceeds of the 2026 Refunding Bonds will be used to pay the Underwriter's discount.

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SCHEDULE OF REFUNDED SERIES A BONDS*

Maturity (September 1)	Rate	Original Principal Amount	Principal Amount to be Redeemed	CUSIP*
2027	5.000%	$3,660,000	$3,660,000	463610HT5
2028	3.000	4,010,000	4,010,000	463610HU2
2029	4.000	1,325,000	1,325,000	463610HV0
2030	4.000	1,465,000	1,465,000	463610HW8
2031	4.000	1,615,000	1,615,000	463610JM8
2032	4.000	1,775,000	1,775,000	463610HX6
2033	4.000	1,945,000	1,945,000	463610HY4

Debt Service Fund

Any premium received by the School District upon the sale of the Bonds, other than any premium on the Bonds and the *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, said moneys shall be transferred to the general fund of the School District as provided and permitted by law.

Permitted Investments

Under California law, the School District is generally required to pay all moneys received from any source into the County treasury to be held on behalf of the School District. The proceeds from the sale of the Bonds to the extent of the principal amount thereof, will be deposited in the County treasury to the credit of the Building Fund and shall be accounted for, together with the proceeds of other bonds of the School District separately from all other School District and County funds. Such proceeds shall be applied solely for the purposes for which the Bonds were authorized. Any premium or accrued interest received by the School District will be deposited in the Debt Service Fund of the School District in the County treasury. Interest and earnings on each fund will accrue to that fund.

All funds held by the County Treasurer (the "County Treasurer") in the Building Fund and the Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the School District, in investment pools of the County into which the School District may lawfully invest its funds, any investments authorized pursuant to the California Government Code 53601, and following of the California Government Code all in accordance with the investment policy of the County, as such statutes and investment policy may be amended or supplemented from time to time. Under existing law, amounts in the Building Fund are required to be invested in the County treasury and will be invested in the Orange County Treasury Pool. At no time shall the proceeds be withdrawn by the school district or community college district for investment outside the county treasury. See APPENDIX G—"ORANGE COUNTY, CALIFORNIA INVESTMENT POLICY" and APPENDIX H—"ORANGE COUNTY, CALIFORNIA TREASURY POOL." for a description of the permitted investments under the investment policy of the County.

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* *Preliminary, subject to change.*

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—security and Sources of Payment" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 1A, 2, 22, 30 39, 46, 98 and 111 and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and the ability of the School District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The taxes levied by the County for payment of the Bonds were approved by the voters of Improvement District No. 1 in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, and (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition. In 2000, Article XIIIA was amended to allow for an increase in *ad valorem* taxes for bonded indebtedness incurred by a school district or community college district if approved by 55% or more of the votes cast. See "—Proposition 39" below.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The School District is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Unitary Property

Some amount of property tax revenue of the School District may be 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 ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The School District is unable to predict the impact of these changes on any 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 School District.

Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the School District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the School District in excess of the appropriations limit are absorbed into the State's allowable limit. The School District does not currently have and does not anticipate having "proceeds of taxes" in excess of its appropriations limit.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

Articles XIIIC and XIIID

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either "general taxes" (imposed for general governmental purposes) or "special taxes" (imposed for specific purposes); prohibits special purpose government agencies, including school districts, from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Proposition 218 also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. A portion of the School District's revenues are received annually from property taxes. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer and Tax Collector to levy a property tax sufficient to pay debt service on the Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* taxes pledged to repay general obligation bonds. See "SCHOOL DISTRICT FINANCIAL INFORMATION—Revenue Sources." In the case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision"), the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIIIC. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the School District. No developer fees imposed by the School District are pledged or expected to be used to make payments with respect to the Bonds.

The provisions of Article XIIIC and XIIID may have an indirect effect on the School District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the School District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the School District.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which provided an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness of a school district or community college district by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt from the 1% *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55% of the voters, subject to the restrictions explained above. The *ad valorem* tax for payment on the Bonds falls within the exception described in the preceding sentence.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed to review the use of the bond funds and inform the public about their proper usage. 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.

Propositions 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes 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 would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In certain fiscal years, the State Legislature and the Governor have utilized this provision to avoid having the full Proposition 98 funding paid to support K-14 schools.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools 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 will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of State General Fund revenues to be allocated to K-14 districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, some fiscal observers expect Proposition 98 to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimums under the first test and the second test described above are dependent on State General Fund revenues. In several recent fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimums.

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. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also 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.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

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 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 California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State 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. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for K-14 school districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

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

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the California Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the School District.

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

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

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

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

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

The table below shows the expected use of bond funds under Proposition 51:

PROPOSITION 51
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	$7,000
Community College Facilities	$2,000
Total	$9,000

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment ("Proposition 19"), which amends Article XIIIA to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The School District cannot make any assurance as to what effect the implementation of Proposition 19 will have on School District revenues or the assessed valuation of real property in Improvement District No. 1.

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 Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the School District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the School 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 School 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.

Future Initiatives and Propositions

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, and Propositions 22, 26, 30, 39, 46, 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

There can be no assurance that the California electorate will not at some future time adopt other initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of amounts legally available to the School District.

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 Improvement District No. 1. The information in the tables below has been provided by sources which the School District believes to be reliable but which the School District has not independently reviewed. The School District does not guarantee the accuracy of such information. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in Improvement District No. 1. The School District's general fund is not a source for the repayment of the Bonds.

***Ad Valorem* Property Taxation**

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in Improvement District No. 1 as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

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

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

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

Assessed Valuations

The assessed valuation of property in Improvement District No. 1 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 XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS" herein.

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

Property within Improvement District No. 1 had a total taxable assessed valuation for fiscal year 2024-25 of $38,452,386,231 and a total taxable assessed valuation for fiscal year 2025-26 of $39,914,564,101. The following table shows the local secured, utility, unsecured and total assessed valuation of Improvement District No. 1 for fiscal years 2021-22 through 2025-26.

Table 1A
ASSESSED VALUATION
Fiscal Years 2021-22 through 2025-26
Irvine Unified School District
School Facilities Improvement District No. 1

Year	*Local Secured*	*Utility*	*Unsecured*	*Total*
2021-22	$32,319,335,791	$631,250	$2,221,552,173	$34,541,519,214
2022-23	33,795,832,215	1,393,180	1,105,288,009	34,902,513,404
2023-24	35,722,479,754	1,393,180	1,442,503,391	37,166,376,325
2024-25	37,043,613,076	1,393,180	1,407,379,975	38,452,386,231
2025-26	38,512,772,469	1,393,180	1,400,398,452	39,914,564,101

(1) Local secured assessed valuation less all exemptions except homeowners which is reimbursed by the state.
Source: California Municipal Statistics, Inc.

Assessed valuation within the School District by jurisdiction for fiscal year 2025-26 is shown in Table 1B below.

Table 1B
Fiscal Year 2025-26 Assessed Valuation by Jurisdiction
Irvine Unified School District
School Facilities Improvement District No.1

Jurisdiction	*Assessed Valuation in School District*	*% of School District*	*Assessed Valuation of Jurisdiction*	*% of Jurisdiction in School District*
City of Irvine	$38,830,062,774	97.28%	$119,150,109,787	32.59%
City of Tustin	1,084,501,327	2.72	18,751,246,103	5.78%
Total District	$39,914,564,101	100.00%		
Orange County	$39,914,564,101	100.00%	$851,793,867,363	4.69%

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the School 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 man-made disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within Improvement District No. 1. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to Improvement District No. 1's general obligation bonds. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS—Article XIIIA" and "THE BONDS—Security and Sources of Payment" herein.

Appeals and Reductions of Assessed Valuation

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

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

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

No assurance can be given that property tax appeals or unilateral County reductions in the future will not significantly reduce the assessed valuation of property within Improvement District No. 1.

Assessed Valuation and Parcels by Land Use

The following table shows the local secured assessed valuation and parcels by land use in fiscal year 2025-26 in Improvement District No. 1.

Table 2
FISCAL YEAR 2025-26 ASSESSED VALUATION AND PARCELS BY LAND USE
Irvine Unified School District
School Facilities Improvement District No. 1

	Fiscal Year 2025-26 Assessed Valuation[(1)]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Commercial/Office	$5,056,930,446	13.13%	672	1.63%
Industrial	1,201,563,395	3.12	212	0.52
Government/Social/Institutional	0	0.00	154	0.37
Miscellaneous	936,266	0.00	25	0.06
Subtotal Non-Residential	$6,259,430,107	16.25%	1,063	2.58%
Residential:				
Single Family Residence	$19,319,899,445	50.16%	23,457	57.02%
Condominium	9,113,140,888	23.66	15,814	38.44
Mobile Home	150,169,687	0.39	660	1.60
2+ Residential Units/Apartments	3,670,132,342	9.53	145	0.35
Subtotal Residential	$32,253,342,362	83.75%	40,076	97.42%
Total	$38,512,772,469	100.00%	41,139	100.00%

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

Assessed Valuation Per Parcel of Single-Family Homes

The following table shows the number of parcels of single-family homes with various assessed value ranges in fiscal year 2025-26 located in Improvement District No. 1. There are 23,457 single family parcels within Improvement District No. 1 with an average assessed valuation in fiscal year 2025-26 of $823,630 and a median assessed value of $719,565.

Table 3
FISCAL YEAR 2025-26 ASSESSED VALUATION PER PARCEL OF SINGLE-FAMILY HOMES
Irvine Unified School District
School Facilities Improvement District No. 1

	No. of Parcels	*Fiscal Year 2025-26 Assessed Valuation*	*Average Assessed Valuation*	*Median Assessed Valuation*
Single Family Residential	23,457	$19,319,899,445	$823,630	$719,565

2025-26 Assessed Valuation	*No. of Parcels*[(1)]	*% of Total*	*Cumulative % of Total*	*Total Valuation*	*% of Total*	*Cumulative % of Total*
$0 - $99,999	252	1.074%	1.074%	$21,038,665	0.109%	0.109%
$100,000 - $199,999	1,040	4.434	5.508	149,227,144	0.772	0.881
$200,000 - $299,999	1,261	5.376	10.884	326,324,116	1.689	2.570
$300,000 - $399,999	2,319	9.886	20.770	817,004,524	4.229	6.799
$400,000 - $499,999	2,385	10.168	30.937	1,068,190,446	5.529	12.328
$500,000 - $599,999	2,268	9.669	40.606	1,242,403,286	6.431	18.759
$600,000 - $699,999	1,861	7.934	48.540	1,207,513,086	6.250	25.009
$700,000 - $799,999	1,690	7.205	55.745	1,267,152,927	6.559	31.568
$800,000 - $899,999	1,823	7.772	63.516	1,548,296,275	8.014	39.582
$900,000 - $999,999	1,670	7.119	70.636	1,582,957,971	8.193	47.775
$1,000,000 - $1,099,999	1,529	6.518	77.154	1,602,235,753	8.293	56.068
$1,100,000 - $1,199,999	1,048	4.468	81.622	1,201,223,087	6.218	62.286
$1,200,000 - $1,299,999	773	3.295	84.917	964,834,172	4.994	67.280
$1,300,000 - $1,399,999	718	3.061	87.978	968,926,340	5.015	72.295
$1,400,000 - $1,499,999	512	2.183	90.161	740,848,276	3.835	76.130
$1,500,000 - $1,599,999	477	2.034	92.194	737,417,639	3.817	79.947
$1,600,000 - $1,699,999	372	1.586	93.780	613,106,439	3.173	83.120
$1,700,000 - $1,799,999	289	1.232	95.012	505,129,131	2.615	85.735
$1,800,000 - $1,899,999	232	0.989	96.001	428,216,343	2.216	87.951
$1,900,000 - $1,999,999	177	0.755	96.756	344,378,936	1.783	89.734
$2,000,000 and greater	761	3.244	100.000	1,983,474,889	10.266	100.000
Total	23,457	100.00%		$19,319,899,445	100.00%	

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

Taxation of State-Assessed Utility Property

A portion of property tax revenue of Improvement District No. 1 is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including Improvement District No. 1) according to statutory formulae generally based on the distribution of taxes in the prior year.

Recent changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The School District is unable to predict the impact of these changes on utility property tax revenues, or whether legislation or 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 Improvement District No. 1 and the School District. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS—Unitary Property."

Alternative Method of Tax Apportionment

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

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County's treasury is the legal depository of the tax collections. The School District will receive 100% of the *ad valorem* property tax to which the School District is entitled irrespective of actual delinquencies in the collection of the tax by the County. In addition, under the Teeter Plan, 100% of the *ad valorem* taxes levied to pay the principal of and interest on the Bonds will be available to pay such amounts, regardless of actual delinquencies in the collection of such taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least 55% of the participating revenue districts in the County. In the event the Board of Supervisors of the County is to order discontinuance of its Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the School District and Improvement District No. 1) for which the County acts as the tax-levying or tax-collecting agency. The School District can provide no assurance that the Teeter Plan will remain in effect over the life of the Bonds.

Tax Levies and Delinquencies

Under the terms of the County's Teeter Plan, Improvement District No. 1 and the School District are paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest. Accordingly, the School District will receive all amounts levied in each fiscal year for so long as the Teeter Plan remains in effect.

Table 4 summarizes the secured tax charge made within the School District for the Series A Bonds, the Series B Bonds, the Series C Bonds and the Series D Bonds and the amount delinquent for fiscal years 2021-22 through 2024-25.

Table 4
SECURED TAX CHARGES AND DELINQUENCIES
FISCAL YEARS 2021-22 THROUGH 2024-25
Irvine Unified School District
School Facilities Improvement District No. 1

	Secured Tax Charge [(1)]	***Amount Delinquent June 30***	***% Delinquent June 30***
2021-22	$7,536,031.16	$33,741.02	0.45%
2022-23	8,845,479.36	42,878.18	0.48
2023-24	8,621,274.78	47,721.69	0.55
2024-25	9,966,252.91	60,452.37	0.61

(1) General obligation bond debt service levy. Excludes supplemental roll.
Source: California Municipal Statistics, Inc.

Tax Rates

There are a total of 102 tax rate areas in Improvement District No. 1 (the "Tax Rate Areas"). The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area from fiscal year 2021-22 through fiscal year 2025-26.

Table 5
SUMMARY OF AD VALOREM TAX RATES
TYPICAL TOTAL TAX RATES (TRA 26-087)[(1)]
Irvine Unified School District
School Facilities Improvement District No. 1

	Fiscal Year 2021-22	***Fiscal Year 2022-23***	***Fiscal Year 2023-24***	***Fiscal Year 2024-25***	***Fiscal Year 2025-26***
General	1.00000	1.00000	1.00000	1.00000	1.00000
Irvine Unified School District SFID No. 1	.02310	.02582	.02391	.02687	.02734
Metropolitan Water District	.00350	.00350	.00350	.00700	.00700
Total All Property	1.02660	1.02932	1.02741	1.03387	1.03434
Irvine Ranch Water District I.D. No. 225	.01500	.01500	.01950	.01950	.01950
Irvine Ranch Water District I.D. No. 125	.01300	.01300	.00850	.00850	.00850
Total Land Only	.02800	.02800	.02800	.02800	.02800

(1) 2025-26 assessed valuation of TRA 26-087 is $5,178,450,516 which is 12.97% of the SFID's total assessed valuation
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest property taxpayers in Improvement District No. 1 as determined by secured assessed valuation in fiscal year 2025-26.

Table 6
FISCAL YEAR 2025-26 LARGEST LOCAL SECURED PROPERTY TAXPAYERS
Irvine Unified School District
School Facilities Improvement District No. 1

	Property Owner	*Primary Land Use*	*2025-26 Assessed Valuation*	*% of Total (1)*
1.	The Irvine Company	Various Land Holdings	$683,785,715	1.78%
2.	Park Place Michelson LLC	Apartments	498,433,890	1.29
3.	LBA IV-PPI LLC	Commercial	494,356,720	1.28
4.	Jamboree Center 1-5 LLC	Commercial	470,588,377	1.22
5.	Capital Group Companies Inc.	Commercial	240,332,400	0.62
6.	Broadway Michelson LLC	Commercial	197,538,307	0.51
7.	Metropolis Gardens LLC	Apartments	197,431,243	0.51
8.	CPUS Irvine Crossing LP	Industrial	194,708,675	0.51
9.	Irvine Apartment Communities	Apartments	170,747,606	0.44
10.	Fusion MF Venture LLC	Apartments	161,253,747	0.42
11.	Sand Canyon Business Center LLC	Commercial	160,350,794	0.42
12.	URP XII XIII LLC	Commercial	147,204,978	0.38
13.	HE Irvine Owner LLC	Commercial	143,260,553	0.37
14.	MIM Intersect Owner LLC	Commercial	141,217,500	0.37
15.	MCP Main Street Village LLC	Apartments	139,457,520	0.36
16.	2581 Irvine LLC	Apartments	136,765,146	0.36
17.	John Hancock Life Insurance Company USA	Commercial	135,889,893	0.35
18.	PMI Charter LLC	Apartments	134,230,306	0.35
19.	Kelvin & Jamboree Properties LLC	Apartments	117,064,655	0.30
20.	Kia America Inc.	Commercial	113,107,212	0.29
Total			$4,677,725,237	12.15%

(1) 2025-26 Local Secured Assessed Valuation: $38,512,772,469
Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below is a direct and overlapping debt report regarding Improvement District No. 1 (the "Debt Report") prepared by California Municipal Statistics, Inc. for debt issued as of July 1, 2026. The Debt Report is included for general information purposes only.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 1 in whole or in part. Such long-term obligations generally are not payable from revenues of the School District (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 1. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps Improvement District No. 1; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in Improvement District No. 1; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in Improvement District No. 1, as determined by multiplying the total outstanding debt of each agency by the percentage of Improvement District No. 1's assessed valuation represented in the second column.

Table 7
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Irvine Unified School District
School Facilities Improvement District No. 1

2025-26 Assessed Valuation: $39,914,564,101

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/26
Metropolitan Water District	0.938%	$ 150,502
Irvine Ranch Water District Improvement Districts	1.100 – 29.798	75,354,179
Irvine Unified School District School Facilities Improvement District No. 1	**100.00**	**204,055,000[(1)]**
City of Tustin Community Facilities Districts	60.970 – 100.00	25,558,357
City of Irvine Community Facilities District No. 2005-2	100.00	9,715,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$314,833,038
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	4.686%	$ 19,549,055
Orange County Board of Education Certificates of Participation	4.686	380,503
City of Irvine General Fund Obligations	32.589	106,331,389
TOTAL OVERLAPPING GENERAL FUND DEBT		$126,260,947
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$5,622,596
COMBINED TOTAL DEBT		$446,716,851[(2)]

Ratios to 2025-26 Assessed Valuation:
Direct Debt ($204,055,000) 0.51%
Total Overlapping Tax and Assessment Debt 0.79%
Combined Total Debt 1.12%

Ratio to Redevelopment Increment Valuation ($842,840,073):
Total Overlapping Tax Increment Debt.......................................0.67%

(1) Excludes the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

IMPROVEMENT DISTRICT NO. 1

General Description

The Bonds are being issued by the School District on behalf of Improvement District No. 1. Improvement District No. 1 was established by the Board of Education of the School District pursuant to a resolution of said Board of Education adopted on September 13, 2016, and the Act.

With respect to the Authorization for the Bonds, the Board of Education ordered an election of the registered voters residing in the territory of Improvement District No. 1, which was held on June 7, 2016. At this election, 60.2% of the voters voting on the measure approved the issuance of not-to-exceed $319,000,000 principal amount of general obligation bonds for Improvement District No. 1. The School District issued the first series of bonds under the Authorization, in the aggregate principal amount of $95,000,000, on October 25, 2016. The School District issued the second series of bonds under the Authorization, in the aggregate principal amount of $41,000,000, on September 13, 2018. The School District issued the third series of bonds under the Authorization, in the aggregate principal amount of $45,000,000, on April 7, 2021. The School

District issued the fourth series of bonds under the Authorization in the aggregate principal amount of $60,000,000, on October 11, 2023. The Series E Bonds represent the fifth series of bonds to be issued under the Authorization. The 2026 Refunding Bonds are being issued to refund outstanding Series A Bonds. Upon issuance of the Series E Bonds, there will be $43,000,000* of bonds remaining unissued under the Authorization.

Location and Territory

Improvement District No. 1 is approximately 22.67 square miles in size, representing approximately 36.6% of the total area of the School District. The parcels within Improvement District No. 1 represent approximately 44% of the total assessed valuation of property within the School District and are primarily residential parcels. See Appendix A hereto.

THE SCHOOL DISTRICT

Introduction

The School District was established in 1972, unified in 1973, and is located almost entirely within the City of Irvine, California, with a small portion of the School District located in the City of Tustin, California. The School District covers approximately 62 square miles in Orange County, California. The School District operates one early childhood learning center, twenty-four elementary schools, five K-8 schools, six middle schools, five comprehensive high schools, one alternative education high school and two virtual academies. The School District's enrollment for fiscal year 2025-26 was 37,755 students. The School District is consistently rated as one of the best school districts in California. See APPENDIX C—"GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF IRVINE AND THE COUNTY OF ORANGE." The School District's pupil/teacher ratio for fiscal year 2024-25 was approximately 10:1 for grade level pre-Kindergarten, 31.0:1 for grade levels Kindergarten, 30.0:1 for grade levels 1 through 3, 31.5:1 for grade levels 4 through 6 and 30.5:1 for grade levels 7 through 12.

Board of Education

The School District is governed by a five member Board of Education. Members are elected to four year terms.

Table 8
IRVINE UNIFIED SCHOOL DISTRICT
Board of Education

Name	*Term Expires*
Jeff Kim, President	December 2026
Lauren Brooks, Clerk	December 2028
Connie Stone, Member	December 2028
Cyril Yu, Member	December 2028
Katie McEwen, Member	December 2026

Source: The School District.

Superintendent and Administrative Personnel

The Superintendent of the School District, appointed by the Board of Education, is responsible for management of the day-to-day operations and supervises the work of other District administrators. The names and backgrounds of the Superintendent and the senior administrative staff are set forth below.

Cassie Parham, Superintendent. Cassie Parham has been the superintendent of the School District since April 28, 2025. She is the eight superintendent in the School District's history. Prior to taking the position, Ms. Parham served as the Assistant Superintendent of Education Services.

John Fogarty, Assistant Superintendent, Business Services. John Fogarty has been the Assistant Superintendent of Business Services since November 2011. Prior to his employment with the School District, Mr. Fogarty lead fiscal operations in the Brea Olinda Unified School District. He began his career in finance as a cost accountant for the Los Angeles Health Care Department in 1990 before taking on the role of controller and fiscal analyst for Electronic Data Systems in 1995. He was hired as manager of District Fiscal Services for the Orange County Department of Education (the "OCDE") in 1999, where he went on to serve as Coordinator of District Fiscal Services, Administrator of Business Services and Director of Business Services with the OCDE before becoming an Assistant Superintendent with the Brea Olinda Unified School District in February 2008.

Kelvin Okino, Executive Director of Facilities Planning and Construction. Kelvin Okino has been the Executive Director of Facilities Planning and Construction since April 2015. Before joining the School District, Kelvin served as Area Manager for Vanir Construction Management, Inc., where he managed large construction projects throughout the Inland Empire and parts of Orange County and Arizona. Prior to that, he was Vice President of Bernard Brothers, Inc. and Senior Project Manager for the JCM Group. He has more than 28 years of construction management experience, working with nineteen K-12 school districts and five community college districts.

Employee Relations

In the fall of 1974, the State Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

As of June 30, 2025, the School District employed 1,937 full-time certificated personnel as well as 1,516 full-time classified employees and 320 full-time management staff. The teachers of the School District (certificated personnel) are represented by the Irvine Teachers Association (the "ITA"). Classified employees are represented by the California School Employees Association Chapter 517 (the "CSEA"), and 50 of the management staff are represented by the Irvine Supervisory Association (the "ISA"). The School District's contract with the CSEA expired on June 30, 2025 negotiations are ongoing for those contracts for the current year. The School District and the CSEA will continue to operate under the expired contract until new contract are agreed upon. The School District's contracts with the ITA and the ISA expires on June 30, 2026.

As of June 30, 2026, School District employees were represented by three employee bargaining units as follows:

Table 9
IRVINE UNIFIED SCHOOL DISTRICT
Labor Bargaining Units

Labor Organization	***Number of Employees In Organization***(1)	***Contract Expiration Date***
Irvine Teachers Association	1937	6/30/2026
California School Employees Association Chapter 517	1,516	6/30/2025
Irvine Supervisory Association	50	6/30/2026

(1) Represents full-time equivalent employees.
Source: The School District.

Retirement System

This section contains certain information relating to the Public Employees' Retirement System ("PERS") and the State Teachers' Retirement System ("STRS"). The information is primarily derived from information publicly available from PERS and STRS, their independent accountants and their actuaries. The School District has not independently verified the information regarding PERS and STRS and makes no representations nor expresses any opinion as to the accuracy of the information publicly available from PERS and STRS.

The comprehensive annual financial reports of PERS and STRS are available on their websites at www.calpers.ca.gov and www.calstrs.ca.gov, respectively. The PERS and STRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. Such information is not incorporated by reference herein. The School District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

School District Contributions to STRS and PERS and Net Pension Liability. School District employees are members of two retirement systems, as described below. Certificated personnel are generally members of STRS and classified personnel are generally members of PERS. The School District contributed $45,947,266 and $47,130,931 to STRS for fiscal years 2023-24 and 2024-25, respectively. Based on its unaudited actual results for fiscal year 2024-25 (the "2024-25 Unaudited Actuals"), the School District estimates a STRS contribution of $69,589,993.73 (General Fund contribution only) in fiscal year 2024-25. In its fiscal year 2025-26 adopted budget (the "2025-26 Adopted Budget"), the School District has budgeted a STRS contribution of $69,466,574.00 (General Fund contribution only) in fiscal year 2025-26. The foregoing amounts do not include on-behalf contributions towards STRS made by the State.

The School District's contribution to PERS was $23,371,415 and $24,482,476 in fiscal years 2023-24 and 2024-25, respectively. In the 2024-25 Unaudited Actuals, the School District estimates a PERS contribution of $22,921,321.53 (General Fund contribution only) in fiscal year 2024-25. In its 2025-26 Adopted Budget, the School District has budgeted a PERS contribution of $26,493,189.00 (General Fund contribution only) in fiscal year 2025-26.

For additional information regarding the School District's participation in STRS and PERS, see Note 14 to the School District's audited financial statements for fiscal year 2024-25 attached as Appendix B hereto.

On June 25, 2012, Governmental Accounting Standards Board ("GASB") approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. These Statements replaced 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 (such unfunded liabilities were 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, 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 School District is not known at this time. In November 2013, GASB issued Statement No. 71 which addressed an issue in the transition provisions of GASB No. 68.

The reporting requirements under GASB Statement No. 68 for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the School District, took effect for the fiscal year beginning July 1, 2014. As a result of implementing GASB No. 68, the School District restated the beginning net position in its Governmental Activities Statement of Net Position, effectively decreasing the net position as of July 1, 2014 by $227,205,070. The School District's net pension liability was $401,557,422 at June 30, 2025, of which $243,055,282 was attributable to STRS and $158,552,140 to PERS.

The School District's proportionate shares of the net pension liabilities, pension expense and deferred inflow of resources for STRS and PERS and a deferred outflow of resources for STRS and PERS, as of June 30, 2025, are as shown in the following table:

SPECIFIC PENSION PLAN INFORMATION AS OF JUNE 30, 2025

Pension Plan	*Net Pension Liability*	*Deferred Outflows Related to Pensions*	*Deferred Inflows Related to Pensions*	*Pension Expense*
STRS	$ 243,005,282	$ 93,982,655	$ 28,203,417	$ 29,227,603
PERS	158,552,140	47,499,022	5,308,359	25,957,185
Total	$ 401,557,422	$ 141,481,677	$ 33,511,776	$ 55,184,788

Source: The School District.

For additional information regarding the School District's participation in STRS and PERS, see Note 14 to the School District's audited financial statements for fiscal year 2024-25 attached as Appendix B hereto.

The School District can make no representations regarding the future program liabilities of STRS or PERS, or whether the School District will be required to make additional contributions to STRS and PERS in the future above those amounts currently projected as described below. See "SCHOOL DISTRICT FINANCIAL INFORMATION — Considerations Regarding COVID-19" below for a discussion of certain events that may impact STRS and PERS and the School District's required contributions to such pension plans.

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employer, employee or State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. Before fiscal year 2014-15, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, in 2014 the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), by June 30, 2046, by increasing member, K-14 school district and State contributions to STRS. Recent employee (member) contribution rates are set forth in the table below:

Table 10
MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	*STRS Members Hired Prior to January 1, 2013*	*STRS Members Hired After January 1, 2013*
July 1, 2014	8.15%	8.150%
July 1, 2015	9.20	8.560
July 1, 2016	10.25	9.205
July 1, 2017	10.25	9.205
July 1, 2018	10.25	10.205
July 1, 2019	10.25	10.205
July 1, 2020	10.25	10.205
July 1, 2021	10.25	10.205
July 1, 2022	10.25	10.205
July 1, 2023	10.25	10.205
July 1, 2024	10.25	10.205
July 1, 2025	10.25	10.205
July 1, 2026	10.25	10.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members (the "PEPRA Members") hired after January 1, 2013 (the "Implementation Date") will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. This adjustment does not apply to members (the "Classic Members") hired before the Implementation Date. For fiscal year commencing July 1, 2026, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members.

Pursuant to AB 1469, K-14 school districts' employer contribution rates have increased over a seven-year phase-in period in accordance with the schedule set forth in the table below.

Table 11
K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	*K-14 School Districts*[(1)]
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10
July 1, 2021	16.92
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10
July 1, 2025	19.10
July 1, 2026	19.10

(1) Percentage of eligible salary expenditures to be contributed.
Source: AB 1469.

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

The State also contributes to STRS, currently in an amount equal to 10.828% for fiscal year 2025-26. The State's contribution to STRS for fiscal year 2026-27 will remain 10.828%. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. 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, the State is currently required to make an annual General Fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2025 included 2,906 public agencies and 1,351 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The employer contribution rate was 26.81% in fiscal year 2025-26 and is 26.40% in fiscal year 2026-27. Classic Members contribute at a rate established by statute, which is 7% in fiscal year 2026-27, while PEPRA Members contribute at an actuarially determined rate, which was 8% in fiscal year 2026-27. See "—California Public Employees' Pension Reform Act of 2013" herein.

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. STRS and PERS each maintain a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. The information presented in such financial reports and 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 table below summarizes information regarding the recent actuarially-determined accrued liability for both STRS and PERS (Schools Pool). Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Table 12
Funded Status
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)[1]
Fiscal Years 2016-17 through 2024-25

STRS

Fiscal Year	*Accrued Liability*	*Value of Trust Assets (MVA)[2]*	*Unfunded Liability (MVA)[3]*	*Value of Trust Assets (AVA)[4]*	*Unfunded Liability (AVA)[4][5]*
2016-17	$286,950	$197,718	$103,468	$179,689	$107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,856
2023-24	380,507	321,920	85,532	291,838	88,669
2024-25	395,525	349,525	75,038	313,533	81,992

PERS

Fiscal Year	*Accrued Liability*	*Value of Trust Assets (MVA)[2]*	*Unfunded Liability (MVA)[3]*	*Value of Trust Assets (AVA)*	*Unfunded Liability (AVA)*
2016-17	$ 84,416	$60,865	$23,551	--[6]	--[6]
2017-18	92,071	64,846	27,225	--[6]	--[6]
2018-19[7]	99,528	68,177	31,351	--[6]	--[6]
2019-20[8]	104,062	71,400	32,662	--[6]	--[6]
2020-21	110,507	86,519	23,988	--[6]	--[6]
2021-22	116,982	79,386	37,596	--[6]	--[6]
2022-23	124,924	84,292	40,632	--[6]	--[6]
2023-24	133,978	93,187	40,791	--[6]	--[6]
2024-25[9]	141,195	105,452	35,743	--[6]	--[6]

(1) Amounts may not sum to totals due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Unfunded Liability (MVA) is equal to the Accrued Liability column minus the Value of Trust Assets (MVA) column minus the amount deposited in the Supplemental Benefits Maintenance Account reserve, which is not available to provide benefits under the STRS Defined Benefit Program.
(4) Based on actuarial value of assets.
(5) Unfunded Liability (AVA) is equal to the Accrued Liability column minus the Value of Trust Assets (AVA) column.
(6) Effective with the June 30, 2014 valuation, PERS no longer uses an actuarial valuation of assets.
(7) For fiscal year 2020-21, the State made an additional $430 million contribution pursuant to Assembly Bill 84/Senate Bill 111 (“AB 84”), which additional contribution did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.
(8) For fiscal year 2021-22, the impact of the additional $330 million State contribution made pursuant to AB 84 was directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.
(9) On April 13, 2026, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2026-27 and released certain actuarial information to be incorporated into the June 30, 2025 actuarial valuation to be released in the latter half of 2026.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hired before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2025 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2025 (the “2025 STRS Actuarial Valuation”) reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately $6.68 billion since the 2024 STRS Actuarial Valuation and the funded ratio increased by 2.6% from 76.7% to 79.3% over such time period. The reason for the increase in the Funded Ratio was the expected year-to-year change due to contributions received under the Funding Plan to pay down the unfunded actuarial obligation along with other positive factors. For actuarial purposes, the STRS Board has approved the use of an actuarial value of assets, which smooths the volatility of investment returns by reflecting only one-third of the net accumulated investment gains or losses in a year. The investment gains that were set aside in the 2021 STRS Actuarial Valuation were more than sufficient to cover the full impact of the negative investment return in fiscal year 2021-22. Using the Fair Market Value of Assets, the funded ratio has increased by 3.5% since the previous Actuarial Valuation from 77.5% to 81.0%, as a result of contributions to pay down the unfunded actuarial obligation and market returns for the 2024-25 fiscal year being greater than the assumed investment return of 7.0%. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the “Unallocated UAO”). There was a increase in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from $140 million as of June 30, 2024 to $367 million as of June 30, 2025.

According to the 2025 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 1004.9%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In its Annual Comprehensive Financial Report for fiscal year ending June 30, 2025, STRS reported a money weighted net return on investment of 9.3% and time-weighted net return on investments of 8.5% for fiscal year 2024-25, ending with the total fund value of $373.2 billion as of June 30, 2025, which is an increase of approximately $29,7 billion, or 8.6%, from the previous fiscal year.

On November 13, 2025, STRS released is 2025 Review of Funding Levels and Risks (the STRS 2025 Review of Funding Levels and Risks"), which is based on the 2024 STRS Actuarial Valuation and reflects all relevant changes that have occurred since 2024 STRS Actuarial Valuation. The key results and findings noted in the STRS 2025 Review of Funding Levels and Risks were that (i) Current contribution rates for the state and employers are still projected to be sufficient to allow both the state and employers to eliminate their share of the STRS unfunded actuarial obligation by 2046 and the contribution rate increase are not expected to be needed for the fiscal year 2026-27; (ii) the state remains well ahead of schedule to eliminate its share of the STRS unfunded actuarial obligation and the state's share is currently projected to be eliminated in 2027 and the state's share of the unfunded actuarial obligation could quickly increase if STRS were to experience a year in which the investment return is significantly below the assumed rate of return; (iii) the largest risk facing STRS' ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system's sensitivity to investment experience; (iv) the risk that a negative investment return might impact STRS' ability to reach full funding is expected to increase once the state fully eliminates its share of STRS' unfunded actuarial obligation because of a trigger that will require the state contribution rate to immediately drop to 2.017%, potentially limiting STRS' ability to react to changing conditions; and (v) STRS' ability to reach full funding is dependent on meeting its current actuarial assumptions over the long term. Uncertain investment markets and a potential decline in the number of teachers could put pressure on STRS' ability to meet some of its long-term actuarial assumptions and impact its ability to reach full funding. In addition, with respect to investment related risks, the STRS 2025 Review of Funding Levels and Risks notes that once the State's supplemental contribution rate is reduced to zero (as discussed above), if it were ever needed to be increased again, the STRS Board will be limited to increases of only 0.5% of payroll each year, which could take the STRS Board years before it is able to increase the rate to the levels necessary to reduce any newly realized unfunded actuarial obligation.

The active STRS membership continues to increase following the sharp decline that occurred during the COVID-19 pandemic. The total active membership for fiscal 2024–25 reached another new high of more than 471,000 members. It is worth noting that, while membership has grown for the last four years, the rate of growth has been slowing.

There was a payroll increase that was very close to the assumed payroll growth of 3.25% due to increase in active teachers in the last few fiscal years. The STRS 2025 Review of Funding Levels and Risks notes that, in the next decade, the number of teachers eligible to retire is expected to increase. By 2023, STRS projects that there will be more than 115,000 active teachers above the age of 55. This can be explained, in part by, the significant increase in the number of active teachers in California during the 1990s. Between the years 1990 and 2000, the number of active teachers who were members of the Defined Benefit Program increased from approximately 300,000 to 420,000. Most of the teachers hired in that decade are either currently eligible to retire or will become eligible to retire in the next few years. As a result, retirements from active teachers are expected to increase significantly over the next five to 10 years. Although an increase in retirements would normally not impact long-term funding, decisions made by employers about whether to replace the teachers who have retired can impact STRS ability to reach full funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll.

The STRS 2025 Review of Funding Levels and Risks also notes that another area of particular concern related to payroll growth and the number of teachers in the State is the decreasing population of children enrolled in K-12 schools in the State. Total enrollment in K–12 public schools in California dropped by approximately 310,000, or a 5% reduction, between 2019–20 and 2022–23. At the same time, the number of students enrolled at community colleges dropped by 310,000, or a 20% reduction, between the fall of 2019 and the fall of 2021. Since then, enrollment has rebounded by almost 200,000 from the fall of 2021 to the fall of 2024. Still, enrollment in community colleges is down more than 7%, or about 115,000, since 2019. In November 2024, the State of California updated its projection of K–12 enrollments. The updated projection assumes the number of children enrolled in K–12 public schools will continue to decline for the next 20 years. The most recent projection anticipates a decline of approximately 10% over the next 10 years and approximately 16% over the next 20 years. If the anticipated reduction in enrollment results in a need for fewer teachers in California, it would impact the number of active teachers who participate in the Defined Benefit Program and ultimately the growth in payroll.

On July 30, 2025, STRS reported a net return on investments of 8.5% for fiscal year 2024-25, ending with the total fund value of $367.7 billion as of June 30, 2025. The 2024-25 return keeps STRS on track long term, as the 5-,10-, 20-, and 30-year returns, including the 9.4% 5-year return, all surpass the actuarial assumption of 7.0%, despite inflation, rising interest rates and geopolitical uncertainty. STRS reported that it is ahead of its schedule to reach full funding by 2046.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The reduced discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%.

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

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

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

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 19, 2025 (the "2025 Experience Study"), the PERS Board approved new actuarial assumptions, including (i) increasing the price inflation from 2.30% to 2.50% per year, (ii) maintaining the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 3.00%, (iii) maintaining the payroll growth rate to 2.80%, and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2025 and will first impact contribution rates for school districts beginning in fiscal year 2026-27. .

On November 17, 2025, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund's investment portfolio for the next four years, retained the current 6.8% discount rate and establishing a reference portfolio with a 75/25 mix of equites and bonds, respectively. The new asset allocation will take effect on July 1, 2026 and will impact contribution rates for employers and PEPRA Members beginning in fiscal year 2027-28-.

The Schools Pool Actuarial Valuation as of June 30, 2024 (the "2024 PERS Actuarial Valuation"), reported that from June 30, 2023 to June 30, 2024 the funded ratio of the Schools Pool increased by 2.1% (from 67.5% to 69.6%), which was partially due to employer contributions towards the unfunded accrued liability and an investment gain, partially offset by a non-investment loss. On July 15, 2025 PERS reported a preliminary 11.6% net return on investments for fiscal year 2025. In its Basic Financial Statements for fiscal year ending June 30, 2025, PERS reported a time-weighted net return on investment of 11.6% and a money-weighted net return on investment of 12.1% for fiscal year 2025-26. The investment return for fiscal year 2025-26 will be reflected in contribution levels for the State and employers in fiscal year 2026-27.

In November 2024, PERS released its 2024 Annual Review of Funding Levels and Risk (the "2024 PERS Funding Levels and Risk Report"), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The results presented in the 2024 PERS Funding Levels and Risk Report are based on the June 30, 2023 annual valuations, which have been projected forward to June 30, 2024 based on preliminary investment performance for the year ending June 30, 2024. The higher-than-expected investment return for fiscal year 2023-24, and employers making their required unfunded liability payments, the funded status of the system increased from 71.4% as of June 30, 2023, to an estimated 75% as of June 30, 2024. The funded status of the Schools Pool increased from 67.5% as of June 30, 2023 to a projected 71% as of June 30, 2024. The 2024 PERS Funding Levels and Risk Report notes that, despite the positive news described above, the system's funded status, and required contribution forecasts can change significantly even within a single year due to unexpected experience. The biggest risk factor for such changes is future investment returns. and other factors such as the possibility that inflation continues to remain higher than our current expectation. The 2024 PERS Funding Levels and Risk Report notes that over the next several years, inflation and near-term economic decline, also have the potential to either increase required contributions or add additional financial strain on employers and their ability to make required contributions. PERS and its members are potentially impacted by high inflation because, while wages generally keep pace with inflation over the long-term and many retirees are likely to receive higher cost-of-living adjustments, they will likely still lose purchasing power, and increases in wages exceeding the assumed increases and higher COLAs would result in higher contributions for employers. In addition, many forecasters are predicting an economic slowdown in the near future, which could lead to lower investment returns, increased investment volatility, and higher unemployment. If the system experiences lower than expected investment returns, the potential impact on required contributions, combined with the impacts of high inflation, could push contribution rates to levels that would prove challenging for some employers.

On April 17, 2023, the PERS Board established the employer contribution rates for fiscal year 2023-24 and released information from the 2022 PERS Actuarial Valuation, ahead of its release date in the latter half of 2023. From June 30, 2021 to June 30, 2022, the funded status of the Schools Pool decreased by 10.4% (from 78.3% to 67.9%) and the unfunded accrued liability increased by $13.6 billion. This deterioration in funded status was due primarily to the lower-than-expected investment return in fiscal year 2021-22. From the Basic Financial Statements issued on November 15, 2022, PERS reported a return on investments of a negative 7.5% (before recognition of administrative expenses) for fiscal year 2021-22 compared to an expected return of 6.8%, which generated an actuarial investment loss of $12.4 billion. This loss will be amortized over 20 years with a five-year ramp (phase-in) increasing the employer contribution rate in fiscal year 2022-23 by 1.69% of payroll. Due to the five-year ramp, this impact will increase in each year until it reaches an estimated 7.6% of payroll in fiscal year 2027-28. Non-investment experience during fiscal year 2021-22 produced an actuarial loss of $1.6 billion, which will be amortized over 20 years. The two most significant sources of non-investment experience were salary increases for active members (averaging 8.0% for members actively employed during the entire year ending June 30, 2022) and benefit increases to annuitants, both of which generated an actuarial experience loss. Total reported payroll in fiscal year 2021-22 increased by 10.2% over the prior year, compared to 2.8% expected, which served to reduce the employer contribution rate for fiscal year 2023-24 by 1.04% of payroll. Assuming (i) all actuarial assumptions are realized, including an assumed investment return of 6.80%, (ii) there are no changes to assumptions, methods or benefits that occur during the projection period, and (iii) the reductions in normal cost due to the continuing transition of active members from Classic Members to PEPRA Members occur as expected, then the projected contribution rate for fiscal year 2024-25 will be 27.7%, with annual increases in most years thereafter, resulting in a projected 29.8% employer contribution rate in fiscal year 2028-29. The actual investment return for fiscal year 2022-23 was not known at the time this projection was made. The projections above assume the investment return for that year will be 6.8%. If the actual investment return differs from 6.80%, the actual contribution requirements for the projected years will differ from those shown above. During the time period between the valuation date and the release of information from the 2022 PERS Actuarial Valuation in April 2023, inflation has been significantly higher than the expected rate of 2.3% per annum. Higher inflation is likely to put upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation. Future contribution requirements may differ significantly. The actual long term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

On July 19, 2023. PERS reported a preliminary net return on investment of 5.8% for fiscal year 2022-23. When factoring in PERS' discount rate of 6.8% — comparable to an assumed annual rate of return – and the 2022-23 preliminary return of 5.8%, the estimated funded status now stands at 72%. As of June 30, 2023, assets were valued at $462.8 billion. The final investment return for fiscal year 2022-23 will be calculated based on audited figures and will be reflected in contribution levels for the State and school district employers in fiscal year 2024-25.

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

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

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

Post-Employment Benefits

The School District provides post-employment benefits through two programs. The first program is a Post-Employment Benefit Plan (the "School District OPEB Plan") consisting of medical, dental and vision insurance benefits to eligible employees who retire from the School District on or after attaining age 55 with at least 15 years of service to the School District for certificated employees, at least 10 years of service to the School District for classified employees and at least 5 years of service to the School District for administrative employees. The School District contributes a portion of the amount of premiums incurred by retirees and their dependents, provided that the amount does not exceed that of a full-time bargaining unit member. If the premium for the retiree is greater than for a full-time bargaining unit member, the retiree shall pay the difference. The School District contribution for fiscal year 2024-25 was $1,919,201 annually for all eligible retirees, though such amount is reduced by contributions from retirees with spousal or family coverage. As of June 30, 2025, there were 121 retirees and beneficiaries receiving postemployment benefits and 2,795 active plan members. For fiscal year 2023-24, the School District contributed $1,793,373 for postemployment benefits, all of which was used for current premiums.

The School District also participates in the Medicare Premium Payment program (the "MPP Program"), a cost-sharing multiple-employer post-employment benefit plan administered by STRS. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of STRS 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 MPP Program is closed to new entrants. In accordance with State law, the School District funds its share of the MPP Program from a portion of the employer contribution to STRS. District payments to the MPP Program are funded on a pay-as-you-go basis. As a result of the implementation of GASB Statement 75, as described below, commencing with fiscal year 2017-18, the School District presents the liability for the MPP Program in its audited financial statements and reported a liability of $1,586,080 for its proportionate share of the net liability for the MPP Program, measured as of June 30, 2025. See Note 10 to the School District's June 30, 2025 Financial Statements set forth in Appendix B hereto.

Beginning with its fiscal year ending June 30, 2009, the School District was required to comply with GASB Statement 45 relating to the School District OPEB Plan, which required the School District to recognize the expenses and related liabilities and assets for any post-employment benefits provided by the School District in its government-wide financial statements of net assets and activities. The School District was required to conduct a report on its unfunded actuarial liability every two years with respect to its post-employment benefits.

In June 2015, GASB issued Statement 75, which replaced the requirements under the GASB Statement 45. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of Statement 75 is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or "OPEB"). Statement 75 also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, Statement 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Statement 75 requires the recognition of the total OPEB liability in the Statement of Net Position.

The School District's most recent actuarial valuation report for the School District OPEB Plan, dated June 30, 2025 (the "2025 OPEB Valuation Report"), reflects the application of GASB Statement 75. Based on such actuarial valuation, the actuarial liability for the School District OPEB Plan was $44,042,700 as of the June 30, 2024 measurement date. This amount represented the present value of all benefits projected to be paid by the School District for current and future retirees.

The School District recognizes the post-employment health care benefits on a pay-as-you-go basis. The most recent actuarial valuation report for the School District OPEB Plan did not provide an actuarially determined contribution for the School District OPEB Plan (i.e. a contribution amount that is projected to fully fund the School District OPEB Plan over a period of amortization). The School District contributed $2,415,000 to the School District OPEB Plan in fiscal year 2025-26. The changes in net District OPEB Plan liability as of June 30, 2025, are shown in the following table:

Total District OPEB Plan Liability	***June 30, 2025***
Service cost	$ 3,586,600
Interest	1,676,500
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions[1]	130,800
Benefits payments	(2,240,000)
Net Change in OPEB Liability	**$ 3,153,900**
Total OPEB Liability, Beginning	**$ 44,042,700**
Total OPEB Liability, Ending	**$ 47,196,600**

(1) Changes of assumptions reflect a lowering of the discount rate from 2.50% to 2.00% since the previous valuation, lowering the portion of future retirees who choose PPO over HMO from 80% to 75%, and raising the portion of future retirees who elect to cover a spouse from 5% to 10%. Changes in benefit terms reflect a switch to a narrower PPO network, PPO/HMO plan design changes, and the introduction of a fixed retiree self-pay equal to $500 per year.

Source: 2025 OPEB Valuation Report

At June 30, 2025, the School District reported a liability of $1,702,278 for its proportionate share of the net liability for the MPP Program. The net liability for the MPP Program was measured as of June 30, 2024, and the total MPP Program liability used to calculate the net liability was determined by an actuarial valuation as of June 30, 2023. The School District's proportion of the net MPP Program liability was based on a projection of the School District's long-term share of contributions to the MPP Program relative to the projected contributions of all participating school districts, actuarially determined. The School District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.5278 percent and 0.5227 percent, resulting in a net increase in the proportionate share of 0.0051 percent. For the year ended June 30, 2025, the School District recognized MPP Program expense of $(179,196).

See Note 10 to the School District's June 30, 2025 Financial Statements set forth in Appendix B hereto for more information with respect to the School District OPEB Plan and MPP Program.

Insurance

The School District is exposed to various risks of loss related to torts, thefts, damage to School District assets, errors and omissions, employee injuries and natural disasters. Significant School District losses are covered by self-insurance for all programs. The School District is self-insured in medical and dental claims, and purchases commercial insurance for specific medical losses above a certain level. The School District is also self-funded for its property and liability program and any losses above the School District's member retained limit (Property: $100,000 / Liability: $250,000) are covered by excess property/liability insurance through a joint powers authority, Southern California Regional Liability Excess Funds ("SCR").

The School District is a member of the Irvine Child Care Project ("ICCP"), and the Coastline Regional Occupation Program ("CROP," and together with ICCP and SCR, the "JPAs"), and SCR. The relationships between the School District, the pools, and the JPAs are such that they are not component units of the School District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units. Audited financial statements are generally available from the respective entities. During the year ended June 30, 2025, the School District made payments of $1,350,683 and $3,256,415 to CROP and SCR, respectively.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The following is a summary of the insurance policies carried by the School District as of June 30, 2025:

Insurance Program Company Name	***Type of Coverage***	***Limits***
Workers Compensation Program	Reinsurance	$650,000 to California statutory limits
Southern California ReLiEF—Property	Reinsurance	$100,000 - $500,250,000
Southern California ReLiEF—Liability	Reinsurance	$250,000 - $75,000,000
Medical PPO	Reinsurance	$250,000 to unlimited for each subscriber
Medical HMO	Reinsurance	$225,000 to unlimited for each subscriber

Source: School District Audited Financial Statements for fiscal year 2024-25.

SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this section concerning the School District's General Fund 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 of or interest on the Bonds is payable from the General Fund of the School District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS—Security and Sources of Payment."

Accounting Practices

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

School District Budget

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent of Schools (the "County Superintendent") within five days of adoption or by July 1, whichever occurs first. The budget is only readopted if it is disapproved by the County Superintendent, or as needed.

Upon receipt of an adopted budget, the County Superintendent will (a) 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, (b) determine if the adopted budget allows the district to meet its current obligations, (c) determine if the adopted budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, (d) determine whether the adopted budget includes the expenditures necessary to implement the local control and accountability plan or annual update thereto, and (e) determine whether the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. On or before September 15, the County Superintendent will approve, conditionally approve or disapprove the adopted budget for each school district.

If the County Superintendent determines that the adopted budget does not satisfy one or more of the requirements set forth in the preceding paragraph, the County Superintendent shall transmit recommendations regarding revisions to the adopted budget to the school district and the reasons therefor. The County Superintendent may assign a fiscal adviser to assist the school district to develop a budget in compliance with those revisions. In addition, the County Superintendent may appoint a committee to examine and comment on the review and recommendations, subject to the requirement that the committee report its findings to the County Superintendent no later than September 20.

If the adopted budget of a school district is conditionally approved or disapproved by the County Superintendent, on or before October 8, the governing board of the school district, in conjunction with the County Superintendent, shall review and respond to the recommendations of the County Superintendent at a regular meeting of the governing board of the school district. The response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.

No later than October 22, the County Superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget has been disapproved.

Upon receipt of a revised budget, the County Superintendent must determine whether the revised budget conforms to the standards and criteria applicable to final district budgets. If the revised budget is disapproved, the County Superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1, unless the governing board of the school district and the County Superintendent agree to waive the requirement that a budget review committee be formed and the department approves the waiver after determining that a budget review committee is not necessary.

If a budget review committee is appointed and recommends approval of the adopted budget, the County Superintendent shall accept the recommendation of the committee and approve the adopted budget.

If the budget review committee disapproves the adopted budget, the governing board of the school district, not later than five working days after the receipt of the report from the budget review committee, may submit a response to the Superintendent, including any revisions to the adopted budget and any other proposed actions to be taken as a result of the budget review committee's recommendations. Based upon these recommendations and any response thereto provided by the governing board of the school district, the Superintendent shall either approve or disapprove the revised budget. If the Superintendent disapproves the budget, he or she shall notify the governing board of the school district in writing of the reasons for that disapproval and, until the County Superintendent certifies the school district's First Interim Financial Report (as described below), the County Superintendent shall undertake the actions set forth in Section 42127.3.

Upon the grant of a waiver from the requirement to form a budget review committee, the County Superintendent immediately has the authority and responsibility provided in Section 42127.3. Upon approving a waiver of the budget review committee, the department shall ensure that a balanced budget is adopted for the school district by December 31. If no budget is adopted by December 31, the Superintendent may adopt a budget for the school district. The Superintendent shall report to the State Legislature and the Director of Finance by January 10 if any school district, including a school district that has received a waiver of the budget review committee process, does not have an adopted budget by December 31. This report shall include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, the date the adopted budget is anticipated, and whether the Superintendent has or will exercise his or her authority to adopt a budget for the school district.

Not later than November 8, the County Superintendent shall submit a report to the State Superintendent identifying all school district for which budgets have been disapproved or budget review committees waived.

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.

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

At a minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31 and a Second Interim Financial Report by March 15 covering financial operations from

November 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education. The School District has not received a qualified or negative certification on its interim reports within the past five years.

Pursuant to State law, the School District adopted its fiscal year 2026-27 budget on June 23, 2026 (the "2026-27 Adopted Budget"), which set forth revenues and expenditures such that appropriations during fiscal year 2026-27 were not projected to exceed the sum of revenues plus the July 1, 2026 beginning fund balance. See "SCHOOL DISTRICT FINANCIAL INFORMATION—Current Financial Condition" below.

State Funding of Education

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

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

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

The Base Grants per unit of ADA for each grade span are as follows: (i) $10,025 for grades TK-3; (ii) $10,177 for grades 4-6; (iii) $10,478 for grades 7-8; and (iv) $12,144 for grades 9-12. During the implementation period of the LCFF, the Base Grants were adjusted for cost of living adjustments ("COLAs") by applying the implicit price deflator for government goods and services. The provision of COLAs is currently subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. The School District is satisfying the class enrollment criteria in fiscal year 2025-26. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13. See also "—State Budget" herein for information on the adjusted Base Grants provided by current budgetary legislation.

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, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 65% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The School District qualifies for the Base Grant and Supplemental Grant in fiscal year 2025-26.

The table below shows a breakdown of the School District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2021-22 through 2025-26.

Table 13
ADA, ENROLLMENT AND EL/LI ENROLLMENT
Fiscal Years 2021-22 through 2025-26
Irvine Unified School District

	Average Daily Attendance[1]					*Enrollment*	
Fiscal Year	***K-3***	***4-6***	***7-8***	***9-12***	***Total ADA***	***Total Enrollment***	***EL/LI Enrollment***
2021-22	10,135	8,301	5,394	10,675	34,505	36,083	11,120
2022-23	10,376	8,431	5,491	10,652	34,951	36,541	10,260
2023-24	10,618	8,760	5,800	11,065	36,244	37,731	11,399
2024-25	10,399	8,968	5,876	11,269	36,512	38,028	11,432
2025-26[2]	10,050	8,788	6,049	11,354	36,241	37,755	11,430

(1) Reflects the School District's ADA as reported during the Second Principal Apportionment period ("P-2 ADA").
(2) For purposes of calculating Supplemental and Concentration Grants, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Estimated for fiscal year 2025-26.
Source: The School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a varying COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The School District does not qualify for the ERT add-on in fiscal year 2025-26.

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 or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will comprise a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Basic Aid or Community Funded School Districts. Certain school districts, known as "basic aid" or "community funded" 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. Basic aid 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 basic aid 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 School District does not currently qualify as a basic aid district.

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

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted annually with a three-year plan, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established 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. The School District updated its LCAP for fiscal years 2025-26 and 2026-27.

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

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

Other Sources. The federal government provides funding for several school district programs, including specialized programs such as the Every Student Succeeds Act, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, a portion of a school district's budget is from local sources other than property taxes, including but not limited to interest income, leases and rentals, educational foundations, donations and sales of property.

Historical General Fund Financial Information

Table 14 below summarizes the School District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2020-21 through 2024-25. The figures in Table 14 below are taken from the School District's audited financial statements. See APPENDIX B—"FISCAL YEAR 2024-25 AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT" for further detail on the School District's financial condition as of June 30, 2025.

Table 14
IRVINE UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance

	Audited Fiscal Year 2020-21	*Audited Fiscal Year 2021-22*	*Audited Fiscal Year 2022-23*	*Audited Fiscal Year 2023-24*	*Audited Fiscal Year 2024-25*
Revenues:					
General Revenues:					
Revenue Limit/LCFF Sources	$ 325,245,195	$ 338,947,604	$ 384,039,242	$ 432,340,568	$ 443,684,550
Federal Sources	25,797,122	16,971,923	31,468,408	22,415,721	15,790,507
Other State Sources	78,870,766	90,023,738	130,457,310	88,598,718	93,641,834
Other Local Sources	29,486,421	33,387,585	44,987,068	52,047,616	44,402,346
Total Revenues	$ 459,399,504	$ 479,330,850	$ 590,952,028	$ 595,402,623	$ 597,519,237
Expenditures:					
Instruction	$ 254,700,912	$ 286,094,464	$ 311,302,203	$ 343,957,037	$ 358,600,160
Instruction-Related Services	57,724,724	63,704,243	69,952,281	77,690,423	77,961,608
Pupil Services	38,823,328	47,017,982	52,830,806	59,776,206	69,109,238
General Administration	12,401,882	14,211,457	15,981,913	23,941,990	18,740,701
Plant Services	45,192,872	45,425,983	49,346,639	54,323,710	58,808,595
Facility Acquisition and Construction	2,033,566	(72,917)	321,663	756,954	2,027,667
Ancillary Services	1,130,953	1,691,522	2,211,735	8,676,478	12,067,434
Community Services	595,293	917,846	1,615,158	1,688,641	1,368,984
Other Outgo/Other	3,077,818	2,354,013	3,211,982	3,437,878	3,092,347
Enterprise Services	11,015	3,363	--	--	--
Debt Service	221,438	221,437	129,172	4,516,360	4,218,361
Total Expenditures	$ 415,913,501	$ 461,569,393	$ 506,903,552	$ 578,765,677	$ 605,995,095
Excess of (Deficiency) of Revenues Over (Under) Expenditures	$ 43,486,003	$ 17,761,457	$ 84,048,476	$ 16,636,946	$ (8,475,858)
Other Financing Sources (Uses)					
Interfund Transfers in/Other Sources	$ 377,073	$ 1,327,073	$ 127,073	$ 7,247,904	$ 7,962,997
Interfund Transfers out/Other Uses	(22,939,088)	(17,643,206)	(21,320,177)	(24,507,779)	(10,042,784)
Total Other Financing Sources (Uses)	$ (22,562,015	$ (16,266,133)	$ (21,193,104)	$ (17,259,875)	$ (2,079,787)
Net Change in Fund Balance	$ 20,923,988	$ 1,495,327	$ 62,855,372	$ (622,929)	$ (10,555,645)
Fund Balance, July 1	$ 70,959,498	$ 91,883,486	$ 93,378,810	$ 156,234,182	$ 155,611,253
Fund Balance, June 30	$ 91,883,486	$ 93,378,810	$ 156,234,182	$ 155,611,253	$ 145,055,608

Source: School District Audited Financial Statements for fiscal years 2020-21 through 2024-25.

Table 15 below compares the School District's General Fund Adopted Budget to its General Fund actual revenues and expenditures for fiscal year 2023-24 and its General Fund Adopted Budget to its General Fund actual revenues and expenditures for fiscal year 2024-25.

Table 15
IRVINE UNIFIED SCHOOL DISTRICT
Comparison of General Fund Budgeted (GAAP Basis) to General Fund Revenues and Expenditures for fiscal years 2023-24 and 2024-25

	Fiscal Year 2023-24		*Fiscal Year 2024-25*	
	Budget	*Audit*	*Budget*	*Audit*
Revenues				
Local Control Funding Formula	$ 432,340,568	$ 432,340,568	$ 443,684,550	$ 443,684,550
Federal Sources	25,626,307	22,415,721	19,743,860	15,790,507
Other State Sources	93,660,390	88,598,718	94,837,675	93,641,834
Other Local Sources	52,062,450	52,047,616	44,548,534	44,402,346
Total Revenues	$ 603,689,715	$ 595,402,623	$ 602,814,619	$ 597,519,237
Expenditures				
Certificated Salaries	$ 245,780,874	$ 244,849,041	$ 249,752,479	$ 252,842,003
Classified Salaries	90,095,570	89,900,578	92,203,088	92,432,442
Employee Benefits	140,972,032	140,967,369	146,637,958	146,067,733
Books and Supplies	55,531,072	24,916,116	51,639,365	19,527,881
Services and Operating Expenditures	70,155,040	68,638,501	83,880,916	85,166,276
Other Outgo	3,117,249	3,114,529	3,202,272	2,764,476
Capital Outlay	1,908,742	--	2,981,753	2,975,923
Debt Service	--	4,516,360	--	4,218,361
Total Expenditures	$ 607,560,579	$ 578,765,677	$ 630,297,831	$ 605,995,095
Excess (Deficiency) of Revenues Over Expenditures	$ (3,870,864)	$ 16,636,946	$ (27,483,212)	$ (8,475,858)
Other Financing Sources				
Transfers In	--	--	$ 2,301,524	$ 2,301,524
Other Sources	$ 127,073	$ 7,247,904	--	5,661,473
Transfers Out	(24,507,779)	(24,507,779)	(10,042,784)	(10,042,784)
Net Financing Sources (Uses)	$ (24,380,706)	$ (17,259,875)	$ (7,741,260)	$ (2,079,787)
Net Change in Fund Balances	$ (28,251,570)	$ (622,929)	$ (35,224,472)	$ (10,555,645)
Fund Balances, July 1	$ 156,234,182	$ 156,234,182	$ 155,611,253	$ 155,611,253
Fund Balances, June 30	$ 127,982,612	$ 155,611,253	$ 120,386,781	$ 145,055,608

Source: Irvine Unified School District Audited Financial Statements for fiscal years 2023-24 and 2024-25.

Table 16 below sets forth the School District's General Fund balance sheet for the 2020-21 through 2024-25 fiscal years.

Table 16
IRVINE UNIFIED SCHOOL DISTRICT
Summary of Combined General Fund Balance Sheet

	Audited Fiscal Year 2020-21	*Audited Fiscal Year 2021-22*	*Audited Fiscal Year 2022-23*	*Audited Fiscal Year 2023-24*	*Audited Fiscal Year 2024-25*
Assets					
Deposits and Investments	$ 75,373,499	$ 95,926,737	$155,041,918	$ 168,424,252	$ 138,857,804
Accounts Receivable	40,066,218	27,794,272	35,673,572	22,023,826	32,240,322
Due from Other Funds	6,287,646	604,584	471,983	849,666	2,892,371
Prepaid Expenditures	21,316	389,531	664,984	113,029	228,619
Stores Inventories	186,170	228,078	201,387	185,599	250,292
Other Current Assets	38,582	32,937	31,166	27,384	24,849
Total Assets	$121,973,431	$124,976,139	$192,085,010	$ 191,623,756	$ 174,494,257
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$ 20,570,177	$ 21,944,965	$ 25,150,107	$ 29,038,962	$ 25,474,544
Due to Other Funds	2,391,340	206,022	1,501,243	4,122,691	1,215,810
Unearned Revenues	7,128,428	9,446,342	9,199,478	2,850,850	2,748,295
Total Liabilities	$ 30,089,945	$ 31,597,329	$ 35,850,828	$ 36,012,503	$ 29,438,649
Fund Balances					
Nonspendable	$ 357,486	$ 767,708	$ 1,016,371	$ 448,628	$ 628,911
Restricted	43,349,361	45,212,946	106,640,715	107,909,891	102,043,177
Committed	-	-	5,000,000	5,000,000	5,000,000
Assigned	26,363,299	26,153,434	24,544,631	22,016,005	19,028,777
Unassigned	21,813,340	21,244,721	19,032,465	20,236,729	18,354,743
Total Fund Balance	$ 91,883,486	$ 93,378,810	$156,234,182	$ 155,611,253	$ 145,055,608
Total Liabilities and Fund Balances	$121,973,431	$124,976,139	$192,085,010	$ 191,623,756	$ 174,494,257

Source: School District Audited Financial Statements for fiscal years 2020-21 through 2024-25.

Current Financial Condition

The School District's financial condition is closely linked to the finances of the State and the State's finances are affected by the health of the State and national economies. In recent years the State has had budget surpluses and funding to K-12 schools has increased, including in the initial years following the onset of the COVID-19 pandemic. However, in the Proposed 2023-24 Budget (as defined below), the State projects that it will operate at a budget deficit for the next several fiscal years. Future budget decisions by the State could have an adverse impact on the School District's financial condition which could be material. See "STATE OF CALIFORNIA FISCAL ISSUES.

Table 17 below contains the difference between the School District's revised General Fund Budget for fiscal year 2024-25 and the School District's fiscal year 2024-25 Audited Actuals, as set forth in the School District's 2024-25 Comprehensive Audited Financial Results. Table 17 below also shows the 2025-26 Adopted Budget.

Table 17
IRVINE UNIFIED SCHOOL DISTRICT
Comparison of 2025-26 General Fund Adopted Budget to 2025-26 Unaudited Actuals and 2026-27 Adopted Budget

	2025-26 Adopted Budget	*2025-26 Unaudited Actuals*	*Difference Between 2025-26 Adopted Budget and 2025-26 Unaudited Actuals(%)*	*2026-27 Adopted Budget*
SOURCES				
LCFF Sources	$ 459,482,288	$ 459,120,583	(0.08)%	$ 475,752,840
Federal Revenues	16,552,779	18,301,294	10.56	17,133,350
Other State Revenues	105,848,560	107,386,905	1.45	145,918,101
Other Local Revenue	30,908,509	40,667,702	31.57	32,621,658
Total Revenues	$ 612,792,136	$ 625,476,484	2.07%	$ 671,425,949
EXPENDITURES				
Certificated Salaries	$ 260,664,244	$ 260,097,522	(0.22)%	$ 263,994,593
Classified Salaries	104,017,997	95,019,451	(8.65)	97,230,852
Employee Benefits	152,347,106	152,995,407	0.43	154,853,425
Books and Supplies	32,813,416	24,426,162	(25.56)	36,959,007
Services & Operating Expenditures	68,242,613	89,500,310	31.15	87,342,914
Capital Outlay	815,523	1,297,703	59.13	3,432,098
Other Outgo (excluding Transfers of Indirect Costs)	3,358,000	3,568,552	6.27	3,415,200
Other Outgo (Transfer of Indirect Costs)	(336,728)	(365,515)	8.55	(381,195)
Total Expenditures	$ 621,922,171	$ 626,539,592	0.74%	$ 646,846,894
Excess of Revenues over (Under) Expenditures	$ (9,130,035)	$ (1,063,108)		$ 24,579,055
OTHER FINANCING SOURCES				
Transfers In & Other Sources	$ 3,750,000	$ 1,750,000		$ 250,000
Transfers Out & Other Uses	6,893,804	9,543,804		8,010,769
Total Other sources (uses)	$ (3,143,804)	$ (7,793,804)		$ (7,760,769)
Net Increase (Decrease) in Fund Balance	$ (12,273,839)	$ (8,856,912)		$ 16,818,286
Fund Balance (Deficit), July 1	$ 133,509,781	$ 145,055,608		$ 136,198,696
Fund Balance (Deficit), June 30	$ 121,235,942	$ 136,198,696		$ 153,016,982

Source: School District 2025-25 Adopted Budget; 2026-27 Adopted Budget.

In the 2025-26 Adopted Budget, the School District projects that General Fund expenditures will exceed General Fund revenues in fiscal year 2025-26 by approximately $12 million but that General Fund revenues will exceed General Fund expenditures in fiscal years 2026-27 and 2027-28 by approximately $ 13 million and $ 18 million, respectively, leaving a projected ending General Fund balance of $ 75 million at June 30, 2027. The 2025-26 Adopted Budget assumes that ADA will increase moderately in each of fiscal years 2025-26 through 2026-27. An increase in ADA generally increases the School District's funding from the State, and a decrease in ADA generally decreases the School District's funding from the State. If required the School District has a variety of cost-cutting measures that it can implement in order to reduce General Fund expenses in future fiscal years.

State law requires the School District to maintain a reserve for economic uncertainty equal to at least 2% of General Fund expenditures and other financing uses. The School District is also required to demonstrate that available reserves for each of the next two fiscal years will equal or exceed the required amount. In the 2025-26 Adopted Budget, the School District projects reserve levels of 4.03%, 6.44% and 9.25% as a percentage of expenditures in fiscal years 2025-26, 2026-2027 and 2027-28, respectively.

Under SB 858 (as defined below), and SB 751 (as defined below), the School District's future reserves may be capped in certain fiscal years. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2" and "STATE OF CALIFORNIA FISCAL ISSUES—General Overview—*School Reserves*." In fiscal years 2021-22 and 2022-23, the reserve cap established by SB 751 was implemented for the first time, which required the School District to cap its Assigned Reserves for such fiscal years which the School District was able to do. The School District expects the SB 751 reserve cap to again be implemented in fiscal year 2023-24, and similarly expects that it will be able to cap its Assigned Reserves for such fiscal year at 10%. As the reserve cap provisions of SB 858 and SB 751 are dependent upon State budget actions, the School District cannot predict in which future fiscal years the cap may apply.

For several fiscal years prior to fiscal year 2013-14 and in fiscal years 2016-17, 2019-20 and 2020-21, the State deferred the payment of certain revenues due to school districts to the following fiscal year. In accordance with State accounting standards, the School District applies an accrual method of accounting and, accordingly, Tables 14 through 17 do not reflect any deferral of revenues to future fiscal years.

The School District does not anticipate needing to borrow funds on a short-term basis in order to have adequate cash on hand to meet expenditures in the current fiscal year, though the School District does have short-term financing options that it can pursue, if needed. See "SCHOOL DISTRICT DEBT STRUCTURE—Short-Term Debt" herein.

Revenue Sources

The School District categorizes its General Fund revenues into four sources: (1) state apportionment funding (this was funded from revenue limit sources through fiscal year 2012-13 and thereafter pursuant to the LCFF); (2) federal sources; (3) other State sources; and (4) other local sources. Each of these revenue sources is described below.

State Apportionment Funding

The primary source of School District funding prior to fiscal year 2013-14 came from the State in the form of base revenue limit funding per unit of ADA. In fiscal year 2013-14, state apportionment funding changed as a result of the LCFF. See "—State Funding of Education." For fiscal years 2023-24 and 2024-25, the School District received $432,340,567.92 and $443,684,549.84, respectively, from LCFF sources, representing approximately 72.6% and 74.3%, respectively, of its General Fund revenues. In its 2025-26 Unaudited Actuals, the School District estimates receiving $459,011,796.75 from LCFF sources for fiscal year 2025-26, representing approximately 73% of its General Fund revenues. In its 2026-27 Adopted Budget, the School District has budgeted receiving $475,752,840 from LCFF sources for fiscal year 2026-27, representing approximately 70.9% of its General Fund revenues.

Federal Revenues

The federal government provides funding for several School District programs, including special education programs, and programs under the Educational Consolidation and Improvement Act. The federal revenues, all of which are restricted, comprised approximately 3.8% and 2.6% of General Fund revenues in fiscal years 2023-24 and 2024-25, respectively. In its 2025-26 Unaudited Actuals, the School District estimates federal revenues comprised approximately 2.9% of General Fund revenues in fiscal year 2025-26. In its 2026-27 Adopted Budget, the School District has budgeted for federal revenues to comprise approximately 2.6% of General Fund revenue in fiscal year 2026-27.

Other State Sources

In addition to State apportionment funding discussed above, the School District receives other State revenues ("Other State Sources"). In fiscal years 2023-24 and 2024-25, Other State Sources equaled approximately 14.9% and 15.7%, respectively, of total General Fund revenues. In its 2025-26 Unaudited Actuals, the School District estimates Other State Sources comprised approximately 17.3% of General Fund revenues in fiscal year 2025-26. In its 2026-27 Adopted Budget, the School District has budgeted for Other State Sources to comprise approximately 21.7% of General Fund revenue in fiscal year 2026-27.

Other Local Sources

In addition to property taxes, the School District receives additional local sources ("Other Local Sources") from items such as the leasing of property owned by the School District and interest earnings. These Other Local Sources (including tuition and transfers) equaled approximately 8.7% and 7.4% of the total General Fund revenues in fiscal years 2023-24 and 2024-25. In its 2025-26 Unaudited Actuals, the School District estimates Other Local Sources comprised approximately 6.8% of General Fund revenues in fiscal year 2025-26. In its 2026-27 Adopted Budget, the School District has budgeted for Other Local Sources to comprise approximately 4.9% of General Fund revenue in fiscal year 2026-27.

Capital Projects Funds

The School District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the School District. The School District's developer fees may be utilized for any capital purpose related to growth. Separate and apart from the General Fund, the School District also maintains a Building Fund to account for general obligation bond proceeds restricted to capital projects, a County Schools Facilities Fund to account for State apportionments provided for the construction and reconstruction of school facilities and a Special Reserve Fund for Capital Outlay to act as a reserve for Board of Education designated construction projects.

Collection of developer fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current developer fee is $5.17 per square foot of habitable space on domestic housing developments. The current developer fee on commercial/industrial developments is $0.84 per square foot. As of June 30, 2026, a balance of $18,746,198.14 existed in the School District's Capital Facilities Fund and there was a balance of $74,045,061.10 in the Building Fund, $285,400,862.97 in the County Schools Facilities Fund and $45,823,700.09 in the Special Reserve Fund for Capital Outlay. Except for amounts in the Special Reserve Fund for Capital Outlay, which may be expended on one-time non-capital costs other than salaries and benefits, the amounts in these funds are restricted to pay for capital improvements.

The School District has an active community facilities district program in which community facilities districts are formed and issue bonds in new developments, with a portion of such bond proceeds being deposited into Improvement Funds and applied to the acquisition, construction and equipping of School District capital facilities. As of June 30, 2026, the School District had approximately $91,413,117.03 on deposit in such Improvement Funds, which are restricted to capital improvements.

SCHOOL DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2025, the School District had $359,926,506 of long-term debt outstanding. The School District has not incurred into any long-term debt since that date.

A schedule of changes in long-term debt for the year ended June 30, 2025 is as follows:

Table 18
IRVINE UNIFIED SCHOOL DISTRICT
Long-Term Debt

Governmental Activities	*Balance July 1, 2024*	*Additions*	*Deductions*	*Balance June 30, 2025*	*Balance Due In One Year*
General Obligation Bonds	$ 211,575,000	--	$ (4,000,000)	$ 207,575,000	$ 3,520,000
Unamortized Debt Premiums	15,570,763	--	(749,561)	14,821,202	--
Irvine Unified School District Public Financing Authority local agency bonds	48,630,000	--	(2,250,000)	46,380,000	2,450,000
Financed Purchases	499,391	--	(84,853)	414,538	95,652
Subscription-based IT arrangements	3,745,965	$ 5,661,473	(4,022,598)	5,384,840	2,197,873
Compensated Absences	72,356,514	--	(813,853)	71,542,661	23,890,195
Claims Liability	10,812,418	2,995,847	--	13,808,265	--
Total	$ 363,190,051	$ 8,657,320	$ (11,920,865)	$ 359,926,506	$ 32,137,720

Source: School District Audited Financial Statements for fiscal year 2024-25.

Additional information regarding the long-term debt and its scheduled repayment is set forth in Note 9 to the School District's 2024-25 Audited Financial Statements attached as Appendix B hereto.

Short-Term Debt

The School District has no short-term debt outstanding and does not expect to issue any short-term debt in fiscal year 2026-27.

STATE OF CALIFORNIA FISCAL ISSUES

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

General Overview

Financial Stress on State Budget. The fiscal year 2025-26 Budget for the State reported that the imposition of federal policy changes significantly slowed economic growth within the State. Most notably, broad based tariffs blunted economic growth and drove a downgrade of the economic forecasts built into the May revision to the State's 2025-26 Budget (the "May Revision"). However, the May Revision reported that the State's general fund revenues from the three largest sources (personal income, corporate and sales and use taxes) were $16.5 billion higher than projected by the Proposed State Budget for fiscal year 2026-27 over the three year budget window due to higher personal income collections, boosted by a 2025 spike in capital gains realizations reflecting higher cash receipts through April of 2026. The revenue forecast in the May Revision was based on the slightly improved stock market outlook, combined with a relatively unchanged economic outlook. However, the May Revision noted that economic recession risk remain elevated due to unpredictable federal policy, geopolitical risks due to the Iran War, soft job market, and a potential correction of the stock market, which is reliant on investment in artificial intelligence rather than the underlying strength of the consumer.

The 2026-27 State Budget (defined below) largely maintains the framework of the May Revision and is projected to provide for balanced budgets in fiscal years 2026-27 and 2027-28 while reducing projected structural deficits in fiscal year 2028-29 and 2029-30. However, the District cannot predict whether the economic risk factors, as listed in the May Revision, would affect the economic projection in the 2026-27 State Budget.

Cash Management by State and Impact on Schools. In the recent fiscal years, to conserve cash in light of declining revenues resulting from the last recession, the State enacted several statutes deferring the payment of amounts owed to public schools, until a later date in the current, or in a subsequent, fiscal year.

School Reserves – Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS — Proposition 2."

The District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its General Fund expenditures and other financing uses.

Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total General Fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions community funded districts and small school districts having fewer than 2,501 units of average daily attendance.

The 2026 Bonds are payable from *ad valorem* taxes to be levied within the School District pursuant to the State Constitution and other State law. Accordingly, the School District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the 2026 Bonds as and when due.

2026-27 State Budget

On June 29, 2026, the Governor signed the State budget for fiscal year 2026-27 (the "2026-27 State Budget"). The following is drawn from the DOF summary of the 2026-27 State Budget.

The 2026-27 State Budget largely maintains the framework of the Governor's May revision to the proposed 2026-27 State Budget (the "May Revision"), and is projected to provide for balanced State budgets in both fiscal years 2026-27 and 2027-28, while reducing projected structural deficits in fiscal years 2028-29 and 2029-30. To assist in providing for a positive ending balance in the State reserve in fiscal year 2027-28 and manage State resources, the 2026-27 State Budget includes a transfer in fiscal year 2026-27 of $6.4 billion into the Projected Surplus Temporary Holding Account (the "Surplus Holding Account"). Created in 2004 by Assembly Bill 179, the Surplus Holding Account allows the State to set aside a portion of anticipated surplus funds and allocate them in a subsequent fiscal year. State leaders have broad authority to determine whether or how to use the Surplus Holding Account. The only requirement is that revenues that go into the account cannot remain there for longer than one year. If State revenues materialize as projected, the revenues in the account may be spent for any purpose or transferred back to the State general fund for future use.

The State budget for fiscal year 2025-26 included numerous spending measures that, at the time, were projected to result in almost $12 billion in ongoing savings. The 2026-27 State Budget includes three additional revenue measures that are intended to solidify the State's fiscal structure:

- *Managed Care Organization (MCO) Tax* – A renewal of the MCO Tax, effective January 1, 2027, which is projected to increase revenues by $575 million in fiscal year 2026-27, $2.3 billion in fiscal year 2027-28 and 2028-29, and $1.7 billion in fiscal year 2029-30, primarily to support the State Medi-Cal program and maintain targeted rate increases for primary, maternal and mental health care.

- *Business Tax Credit Limitation* – An extension of the temporary business tax credit limitation for an additional three years, which limits the amount by which carry-over business credits can reduce net tax liability. Beginning in 2030, the 2026-27 State Budget permanently limits the use of business tax credits to the greater of $5 million or 70% of the tax liability. This is projected to increase State general fund revenues by $1 billion in fiscal year 2026-27, $3.3 billion in fiscal year 2027-28, $4.7 billion in fiscal year 2028-29 and $4.2 billion in fiscal year 2029-30.

- *Prewritten Software Tax* – An extension of an existing sales tax on prewritten software. This is projected to increase State general fund revenues by $450 million in fiscal year 2026-27 and $900 million annually thereafter.

For fiscal year 2025-26, the 2026-27 State Budget projects total general fund revenues and transfers of $245.8 billion and authorizes expenditures of $245.3 billion. The State is projected to end fiscal year 2025-26 with total reserves of approximately $49.9 billion, including $11.5 billion in the BSA, $9.2 million in the PSSSA and $29.2 billion in traditional general fund reserves. For fiscal year 2026-27, the 2026-27 State Budget projects total general fund revenues and transfers of $226.8 billion and authorizes expenditures of $251.5 billion. The State is projected to end fiscal year 2026-27 with total reserves of approximately $28.8 billion, including $15.1 billion in the BSA, $9.2 billion in the PSSSA and $4.5 billion in the traditional general fund reserve. The Safety Net Reserve projected to have zero balances in both fiscal years.

The 2025-26 State Budget sets total funding in fiscal year 2026-27 for all TK-12 education programs at $151.4 billion, including $91.1 billion from the State general fund and $60.3 billion from other sources. The minimum funding guarantee in fiscal year 2026-27 is set at $128.1 billion. The 2026-27 State Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2024-25 and 2025-26, setting them at $124.9 billion and $125.3 billion, respectively. These revised levels represent an increase of approximately $29.2 billion over the three-year period relative to the State budget for fiscal year 2025-26, and an increase of approximately $1.2 billion from the May Revision.

Test 1 of the minimum funding guarantee is projected to be in effect over the three-year period, meaning that the guarantee is these years is roughly equal to 40% of projected State general fund revenues and local property taxes. This percentage is not reduced to reflect enrollment adjustments, which increases per-pupil spending. In addition, the revised minimum funding guarantee level for fiscal year 2024-25 fully retires a $8.3 billion maintenance factor payment due in that year. To mitigate against potential future reductions in revenues and manage resources, the 2026-27 State Budget maintains a $3.9 billion settle-up amount in fiscal year 2025-26. If, in spring of 2027, revenues remain at the same or higher levels for fiscal year 2025-26, the State legislature will be required to pay this amount back to TK-14 school districts and will need to schedule this payment in State budgetary legislation, either from available funds or scheduled over multiple fiscal years.

Other significant features relating to TK-12 education funding include the following:

- *LCFF* – The 2026-27 State Budget includes a statutory COLA of 2.87% which, when combined with population growth adjustments, results in an increase of approximately $1.1

billion in discretionary funds for local educational agencies as compared to the State budget for fiscal year 2025-26. The 2026-27 State Budget includes an additional $1.1 billion in discretionary funding for the LCFF, resulting in a total COLA (statutory and discretionary) of 4.31%. These additional funds are intended to help local educational agencies manage rising costs, offset funding restrictions related to declining enrollment and fund a new requirement for paid pregnancy disability leave (see below). As a result the funding levels provided by the 2026-27 State Budget, the adjusted Base Grants for fiscal year 2026-27 are as follows: (i) $11,811 for grades TK-3, (ii) $10,860 for grades 4-6, (iii) $11,181 for grades 7 and 8, and (iv) $13,296 for grades 9-12. The adjusted add-on per ADA for TK funding is set at $5,704. Finally, the 2026-27 State Budget includes an ongoing increase of $31.3 million in Proposition 98 funding to provide a 20% increase in LCFF funding for Necessary Small Schools.

- *Paid Pregnancy Leave* – The 2026-27 State Budget requires all TK-14 local educational agencies to provide all employees with up to 14 weeks of paid pregnancy disability leave, beginning on January 1, 2027. Costs of the benefit are expected to be absorbable within the additional discretionary LCFF funding described above.
- *Special Education* – An increase of $2.4 billion in special education funding, representing a 43% increase over the funding level set in the prior year State budget. The 2026-27 State Budget also includes an ongoing allocation of $80 million for the special education cost pool, which provides reimbursement to special education local plan areas for students with specified high-cost service needs, as well as the low-incidence disability add-on, which provides funding to support students with rare, highly specialized needs. Additional measures also include (i) $30 million for the Supporting Inclusive Practices Project, which provides resources to schools and educators to expand students access to the general educational environment, (ii) a one-time increase of $25 million to the Inclusive College Technical Assistance Center, which facilitates collaboration between local educational agencies and institutions of higher education to expand inclusive college opportunities for disabled students, and (iii) $10 million in one-time funds to support implementation of alternative pathways for disabled students to obtain a high-school diploma.
- *Student Support and Professional Development* – $5 billion in one-time Proposition 98 funding for the Student Support and Professional Development Block Grant, which provides local educational agencies with additional fiscal support to address rising costs and fund Statewide priorities.
- *Community Schools* – $1 billion in ongoing Proposition 98 funding to expand community schools, which partner with educational, county and nonprofit entities to provide integrated health, trauma-informed mental health, social services and academic supports.
- *Literacy and Math Instruction* – $350 million in one-time Proposition 98 funding to extend funding for the support of the English Language Arts/English Language Development framework, which includes investments such as literacy coaches, reading specialists, trainings for educators, administering screenings and providing materials. The 2026-27 State Budget also provides $50 million in one-time Proposition 98 funding to expand the reach of the Mathematics Professional Learning Partnership to include more local educational agencies and extend its impact beyond its current expiration date of June 30, 2029.
- *Teacher Preparation and Professional Development* – Nearly three quarters of a billion dollars to accelerate the State's progress in addressing teacher shortages, including (i) $408 million in additional one-time Proposition 98 funding for the Student Teacher Stipend Program, (ii) $250 million in one-time Proposition 98 funding to continue educational residency programs through 2029-30, (iii) $30 million in in one-time Proposition 98 funding for the Statewide teacher residency technical assistance center, (iv) $16.2 million in ongoing federal special education funds to continue the Golden State Teacher Grant Program, (v) $15

million in in one-time Proposition 98 funding to expand and enhance no-cost, high quality professional learning to support educational leaders and administrators, (vi) $10 million in in one-time Proposition 98 funding to provide competitive grants to local educational agencies to create pathways that will increase the number of bilingual teachers, and (vii) $10 million in in one-time Proposition 98 funding to support classified employees pursuing teaching credentials.

- *Immigrant Students* – $100 million in in one-time Proposition 98 funding to provide supportive services for newcomer pupils, English learners and immigrant families. The 2026-27 State Budget also provides $75 million in one-time Proposition 98 funding to establish Dream Resource Centers at high schools to support pupils with social services, State-funded immigration legal services, academic opportunities and parent and family workshops.
- *Early Education* - $250 million in in one-time Proposition 98 funding for the Universal Prekindergarten Planning & Implementation Grant, which will support the expansion of State preschool and Transitional Kindergarten programs to two-, three- and four-year old students. The 2026-27 State Budget also provides $51.4 million in ongoing Proposition 98 funding to provide increased monthly cost of care payments to State preschool program contractors and $33.6 million in ongoing Proposition 98 funding to increase the number of preschool development days.
- *Learning Recovery Emergency Block Grant* – $757.3 million in one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.
- *Kitchen Infrastructure* – $500 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure and training to support schools in providing more freshy prepared meals made with local ingredients.
- *Student Homelessness* – $116 million in one-time Proposition 98 funding to provide three-year grants to local educational agencies to increase identification of and improve educational outcomes for students experiencing homelessness.
- *Dual Enrollment* - $100 million in one-time Proposition 98 funding to increase access to college and career pathways for high school students.
- *Holocaust and Genocide Education* - $10 million in one-time Proposition 98 funding for the Holocaust and Genocide Education Grant program to support professional development and provide resources on Holocaust and genocide education.
- *Reading Difficulties Screening* – $40 million in one-time Proposition 98 funding to support continued implementation of student reading difficulties screenings.

For additional information regarding the 2026-27 State Budget, see the DOF website www.dof.ca.gov. However, the information presented on such website is not incorporated herein by any reference.

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

Future Actions and Events

The School District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The School District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the School District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. A resurgence of the COVID-19 pandemic, or the outbreak of a new pandemic, could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the School District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the School District for the payment of principal of and interest on the 2026 Bonds should not be impaired by the events described above.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. However, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

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

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

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

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

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

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

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

The proposed form of opinion of Bond Counsel for the Bonds is included in Appendix D hereto.

LEGAL MATTERS

Continuing Disclosure

The School District will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the School District and Improvement District No. 1 (each an "Annual Report") by not later than nine months following the end of the School District's fiscal years (which shall be April 1 of each year, so long as the School District's fiscal year ends on June 30), commencing with the report for the 2025-26 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of the enumerated events will be filed by the School District with the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be made available and to be contained in the notices of enumerated events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the Purchaser in complying with S.E.C. Rule 15c2-12(b)(5), as amended (the "Rule").

The School District has entered into two undertakings with respect to the Rule in the last five years. Additionally, several of the community facilities districts which the School District formed and which are operated by employees of the School District have entered into undertakings with respect to the Rule in the last five years.

The School Board acts as the legislative body of the Irvine Unified School District Community Facilities District No. 09-1, Community Facilities District No. 86-1 of the Irvine Unified School District, the Irvine Unified School District Community Facilities District No. 06-1 (Portola Springs) and the Irvine Unified School District Financing Authority (the "Authority").

None of the School District, the Authority or the School District's community facilities districts has failed to timely comply with their respective prior continuing disclosure undertakings under the Rule in any material respect within the past five years.

Legality for Investment in California

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

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate or certificates to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The School District is not aware of any litigation pending or threatened questioning the existence of Improvement District No. 1 or the School District or contesting the ability of the County to levy *ad valorem* taxes for payment of the Bonds or contesting the School District's ability to issue the Bonds on behalf of Improvement District No. 1.

The School District is occasionally subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the School District, the aggregate amount of the uninsured liabilities of the School District under these lawsuits and claims will not materially affect the finances of the School District.

Financial Statements

The School District's audited financial statements for Fiscal Year 2024-25, included in this Official Statement have been audited by Eide Bailly LLP, (the "Auditor"), as stated in their report in Appendix B. Attention is called to the scope limitation described in the auditor's report accompanying the financial statements. The Auditor has not been requested to consent to the inclusion of its report herein and has not undertaken to update the audited financial statements for fiscal year 2024-25 or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated January 9, 2026. See APPENDIX B—"FISCAL YEAR 2024-25 AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT" herein.

Certain Legal Matters

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Stradling Yocca Carlson & Rauth will receive compensation contingent upon the sale and delivery of the Bonds.

RATING

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "Aa1" the Bonds. This rating reflects only the view of Moody's, and an explanation of the significance of such rating may be obtained from Moody's. There is no assurance that the rating will continue for any given time or that the rating will not be revised downward or withdrawn entirely by Moody's if in such rating agency's judgment circumstances so warrant. Any such downward revision or withdrawal of the 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 School District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The School District has covenanted in the Continuing Disclosure Certificate for the Bonds to file on the Electronic Municipal Market Access ("EMMA") system, notices of any rating changes on the Bonds. See the caption "LEGAL MATTERS—Continuing Disclosure" below and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from Moody's prior to such information being provided to the School District and prior to the date the School District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to Moody's website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

The Series E Bonds were sold by competitive bid on September 3, 2026 and awarded by the School District on that day to _________________ (the "Purchaser") as the successful bidder, in accordance with the Official Notice of Sale. The Purchaser has agreed to purchase the Series E Bonds at the initial purchase price of $_______________ (which represents the aggregate principal amount of the Series E Bonds, plus a net original issue premium of $____________, less underwriter's discount of $__________. The Official Notice of Sale provides that the Purchaser will purchase all of the Series E Bonds. The obligation to make such purchase is subject to certain terms and conditions set forth in the Official Notice of Sale.

The 2026 Refunding Bonds were sold by competitive bid on September 3, 2026 and awarded by the School District on that day to _________________ (the "Purchaser") as the successful bidder, in accordance with the Official Notice of Sale. The Purchaser has agreed to purchase the 2026 Refunding Bonds at the initial purchase price of $_______________ (which represents the aggregate principal amount of the 2026 Refunding Bonds, plus a net original issue premium of $____________, less underwriter's discount of $__________.

The Official Notice of Sale provides that the Purchaser will purchase all of the 2026 Refunding Bonds. The obligation to make such purchase is subject to certain terms and conditions set forth in the Official Notice of Sale.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Bond Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

IRVINE UNIFIED SCHOOL DISTRICT

By: ____
Superintendent

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APPENDIX A

BOUNDARIES OF IMPROVEMENT DISTRICT NO. 1

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Irvine Unified School District
Proposed School Facilities Improvement Measure Boundary

2016 SFIM Schools

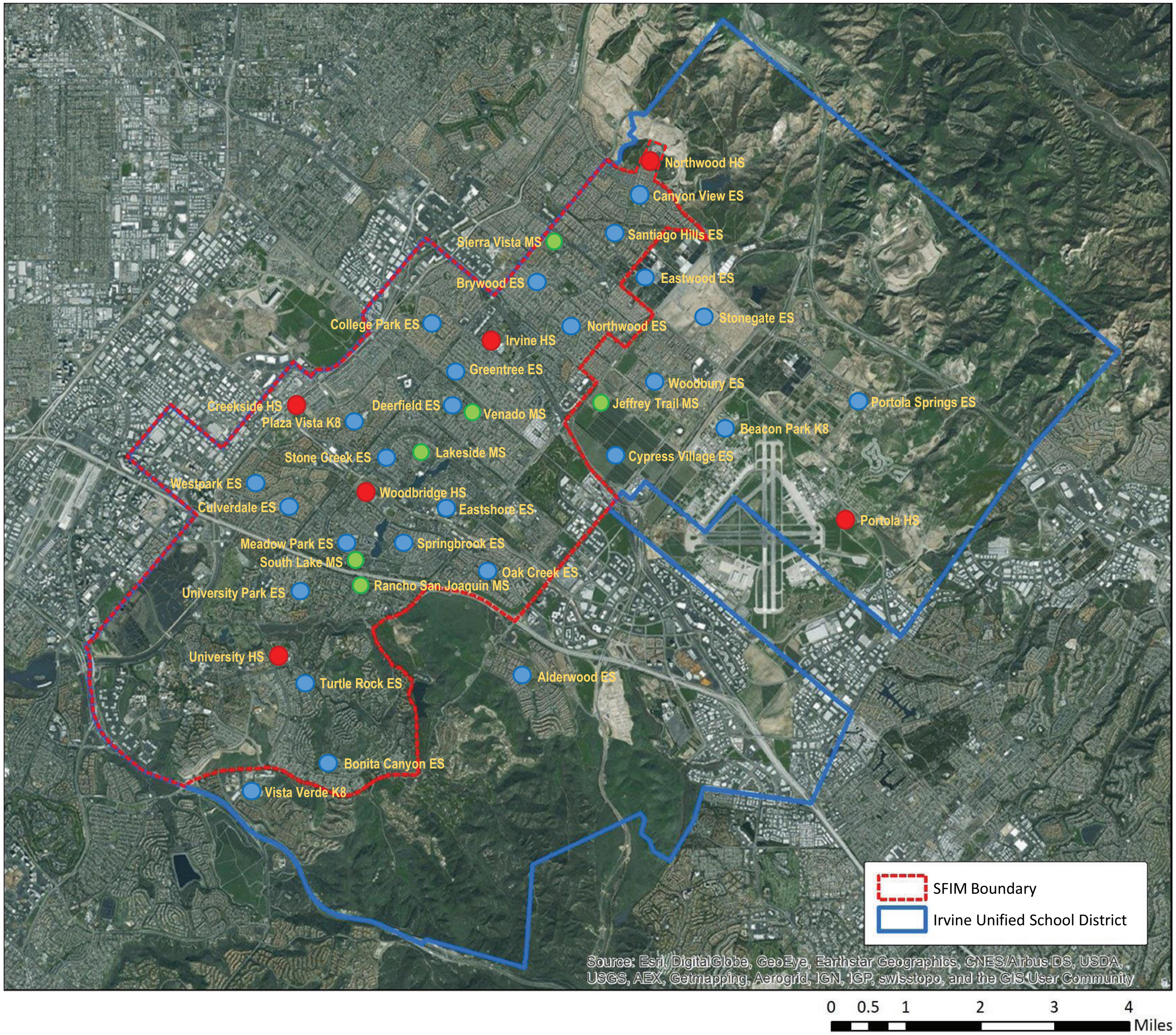
Bonita Canyon ES
Brywood ES
Canyon View ES
College Park ES
Culverdale ES
Deerfield ES
Eastshore ES
Greentree ES
Meadow Park ES
Northwood ES
Oak Creek ES
Santiago Hills ES
Springbrook ES
Stone Creek ES
Turtle Rock ES
University Park ES
Westpark ES
Plaza Vista K8
Lakeside MS
Rancho SJ MS
Sierra Vista MS
South Lake MS
Venado MS
Creekside HS
Irvine HS
Northwood HS
University HS
Woodbridge HS

2016 SFIM Excluded Schools

Alderwood ES
Cypress Village ES
Eastwood ES
Portola Springs ES
Stonegate ES
Woodbury ES
Beacon Park K8
Vista Verde K8
Jeffrey Trail MS
Portola HS

IUSD Schools

Elementary/K8 School
Middle School
High School



Rev. 12.16.15

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APPENDIX B

FISCAL YEAR 2024-25 AUDITED FINANCIAL STATEMENTS
OF THE SCHOOL DISTRICT

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Financial Statements
June 30, 2025

Irvine Unified School District

Eide Bailly

Independent Auditor's Report

To the Governing Board
Irvine Unified School District
Irvine, 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 Irvine 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 Irvine 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 Notes 1 and 17 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.

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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 9, 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.

Eide Bailly LLP

Ontario, California
January 9, 2026

This section of the Irvine 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

The financial statements presented herein include all of the activities of the Irvine Unified School District and its component units using the integrated approach as prescribed by the 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. They present the governmental activities of the District. 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 three categories of activities: governmental, proprietary, and fiduciary.

- 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.

- The *Fiduciary 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 Irvine 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 position 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 present the District activities as follows:

Governmental Activities - Most of the District's services are reported 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 each 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 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 internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like special tax receipts for debt service requirements of the Community Facilities Districts within our boundaries. The District's fiduciary activities are reported in the Fiduciary Fund-Financial Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $2,003,827,833 for the fiscal year ended June 30, 2025. Of this amount, $(367,876,174) was an unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the Board's ability to use those 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	$ 821,321,893	$ 860,249,964
Long term receivables	46,380,000	48,630,000
Capital assets, net	1,886,682,041	1,836,424,029
Total assets	2,754,383,934	2,745,303,993
Deferred outflows of resources	154,605,051	157,473,534
Liabilities		
Current liabilities	51,916,212	61,398,717
Long-term liabilities	810,087,412	770,673,565
Total liabilities	862,003,624	832,072,282
Deferred inflows of resources	43,157,528	30,594,713
Net Position		
Net investment in capital assets	1,739,151,211	1,693,997,614
Restricted	632,552,796	651,364,228
Unrestricted deficit	(367,876,174)	(305,251,310)
Total net position	$ 2,003,827,833	$ 2,040,110,532

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 17 for further information.

The $(367,876,174) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations. All districts throughout California were required to implement GASB Statement Nos. 68 and 75 to account for pension and postemployment benefits liability, other than pensions, for their retirees. The District's combined pension and postemployment benefits liabilities were $448,241,705 and $479,197,087 for the years ending June 30, 2025 and June 30, 2024, respectively.

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 16. Table 2 takes the information from the Statement, rounds off the numbers, 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	$ 5,434,789	$ 1,806,465
Operating grants and contributions	151,049,256	151,633,935
Capital grants and contributions	20,454,936	67,250,418
General revenues		
Federal and State aid not restricted	53,240,947	82,635,623
Property taxes	426,953,816	394,995,165
Other general revenues	6,910,904	11,833,967
Total revenues	664,044,648	710,155,573
Expenses		
Instruction-related	425,096,153	421,291,607
Pupil services	85,483,464	76,775,064
Administration	13,669,245	18,412,726
Plant services	71,702,252	119,203,228
All other services	32,662,660	29,566,648
Total expenses	628,613,774	665,249,273
Change in net position	$ 35,430,874	$ 44,906,300

* 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 17 for further information.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $628,613,774. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $426,953,816.

In Table 3, we have presented the net cost of each of the District's largest functions: instruction-related, 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	$ 425,096,153	$ 421,291,607	$ (328,762,687)	$ (271,909,323)
Pupil services	85,483,464	76,775,064	(52,032,847)	(37,898,101)
Administration	13,669,245	18,412,726	(11,759,685)	(16,491,082)
Plant services	71,702,252	119,203,228	(66,292,527)	(115,528,714)
All other services	32,662,660	29,566,648	7,172,953	(2,731,235)
Total	$ 628,613,774	$ 665,249,273	$ (451,674,793)	$ (444,558,455)

* 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 17 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $706,218,147, which is a decrease of $25,141,613 from last year.

Table 4

	Balances and Activity			
Governmental Fund	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	$ 155,611,253	$ 605,482,234	$ 616,037,879	$ 145,055,608
Building	86,341,356	14,035,493	22,119,830	78,257,019
County School Facilities	265,326,464	39,678,943	34,716,063	270,289,344
CFD Capital Projects	109,678,543	15,440,550	24,088,825	101,030,268
Student Activity	3,565,558	7,074,407	6,285,481	4,354,484
Adult Education	248,219	638,679	481,407	405,491
Child Development	1,702,779	2,544,344	2,203,869	2,043,254
Cafeteria	29,912,159	27,022,822	19,988,186	36,946,795
Deferred Maintenance	1,494,986	3,736,521	4,783,267	448,240
Capital Facilities	11,135,865	5,353,883	2,868,406	13,621,342
Special Reserve Fund for Capital Outlay Projects	56,733,934	4,647,986	15,809,658	45,572,262
Bond Interest and Redemption	9,608,644	10,729,384	12,143,988	8,194,040
Debt Service Fund for Blended Component Units	-	4,517,950	4,517,950	-
Total	$ 731,359,760	$ 740,903,196	$ 766,044,809	$ 706,218,147

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 74.)

Budgeted expenditures increased by $31,942,965 due to the appropriation of prior year fund balances and negotiated one-time salary increases. There were also increases for gift allocations that occurred during the year. These amounts were unknown at the time the budget was adopted and these adjustments were made during the fiscal year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had $1,886,682,041 (net) in a broad range of capital assets and right-to-use subscription IT assets (net of depreciation and amortization), including land, buildings, furniture, and equipment.

Table 5

(Net of accumulated depreciation and amortization)

	Governmental Activities	
	2025	2024
Land and construction in progress	$ 1,014,975,787	$ 1,061,820,170
Buildings and improvements	854,816,563	758,741,125
Equipment	10,908,411	10,972,879
Right-to-use subscription IT assets	5,981,280	4,889,855
Total	$ 1,886,682,041	$ 1,836,424,029

We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had $810,087,412 in long-term liabilities outstanding versus $770,673,565 last year; an increase of $39,413,847, or 5.1%.

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	$ 207,575,000	$ 211,575,000
Irvine USD Public Financing Authority (PFA) local agency bonds	46,380,000	48,630,000
Unamortized premiums	14,821,202	15,570,763
Financed purchases	414,538	499,391
Subscription-based IT arrangements	5,384,840	3,745,965
Compensated absences	71,542,661	642,941
Claims liability	13,808,265	10,812,418
Aggregate net OPEB liability	48,603,484	45,628,780
Aggregate net pension liability	401,557,422	433,568,307
Total	$ 810,087,412	$ 770,673,565

*Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 17 for further information.

At year-end, the District has an aggregate net pension liability of $401,557,422 versus $433,568,307 last year, a decrease of $32,010,885, or 7.4%.

We present more detailed information regarding our long-term liabilities in Note 9, Note 10, Note 13, and Note 14 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2024-2025 ARE NOTED BELOW:

- A 2.0% one-time off- schedule salary increase.
- Continued construction for Measure E projects in Series 3 at four school sites.
- Continued planning for Measure E projects in Series 4 at six school sites.
- Completed construction for the Portola High School Relo 2024 (leased) project and began construction for an additional Portola High School Relo 2025 (leased) project.
- Completed construction for the Loma Ridge Elementary School Relo (purchased) project.
- Completed construction for the Culverdale Relo (purchased) project.
- Completed construction for the Canyon View Elementary Relo (leased) project.
- Completed construction for the Sierra Vista Middle School Relo (leased) project.
- Completed construction for the Special Ed Playground project.
- Completed construction for the Expanded Learning Opportunities Program projects.
- Completed construction for the Portola Springs Elementary School Relo (leased) project.

- Continuing construction for WellSpace projects at multiple school sites.
- Continuing construction for the University HS Roofing Repair project.
- Continued construction for the Nutrition Services Expansion project.
- Continued construction for the Portola High School Expansion project.
- Put a hold on the planning for the Canyon View Elementary Relo (purchased) project.
- Began construction for the Eastwood Elementary Relo (purchased) project.
- Began construction for the Oak Creek Elementary Relo (purchased) project.
- Began construction for the Canyon View Elementary Kinder Expansion project.
- Began construction for the Stonegate Elementary Relo (purchased) project.
- Cancelled the Beacon Park K-8 Relo (purchased) project.
- Began construction for the Cadence Park K-8 Relo (purchased) project.
- Began construction for the Rancho San Joaquin Middle School HVAC Replacement project.
- Began construction for the ECLC Improvements projects.
- Began construction for the Westwood Relo 2024 project.
- Began and completed construction of the Westpark ES Play Structure project.
- Began construction of the Oak Creek ES Play Structure project.
- Began planning for the Beacon Park K-8 Expansion project.
- Began planning for the Solis Park K-8 Expansion project.
- Began planning for the Sierra Vista MS MPR Expansion project.
- Began planning for the CEC IT Relo 2025 project.
- Began planning for the Woodbridge HS Modernization project
- Began planning for the Woodbridge HS Relo 2025 (Interim Housing) project.
- Began planning for the Woodbridge HS Field Lighting project.
- Began planning for the Northwood HS Field Lighting project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2025-2026 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Five percent increase for property tax revenues.
2. Projected ADA growth of 341 students is anticipated.
3. Revenue projections based on Local Control Funding Formula.
4. Local revenues/gift funds remain unbudgeted until received.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Pre-K	10:1	1,157
Kindergarten	31:1	1,935
Grades one through three	30:1	7,741
Grades four through six	31.5:1	9,299
Grades seven through twelve	30.5:1	18,054

The new items specifically addressed in the budget are:

1. No salary increases are projected for 2025-2026.
2. No increases in health benefit contributions are projected in 2025-2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Irvine Unified School District, 5050 Barranca Parkway, Irvine, California, 92604, or e-mail at JohnFogarty@iusd.org.

	Governmental Activities
Assets	
Deposits and investments	$ 779,041,265
Receivables	40,848,182
Interest receivable	737,233
Prepaid expense	238,216
Stores inventories	432,148
Other current assets	24,849
Long-term receivables due within one year	2,450,000
Long-term receivables due in more than one year	43,930,000
Capital assets not depreciated or amortized	1,014,975,787
Capital assets, net of accumulated depreciation and amortization	871,706,254
Total assets	2,754,383,934
Deferred Outflows of Resources	
Deferred charge on refunding	2,407,731
Deferred outflows of resources related to OPEB	10,715,643
Deferred outflows of resources related to pensions	141,481,677
Total deferred outflows of resources	154,605,051
Liabilities	
Accounts payable	44,729,390
Interest payable	3,418,563
Unearned revenue	3,768,259
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	32,153,720
OPEB liability due within one year	1,919,201
Long-term liabilities other than OPEB and pensions due in more than one year	327,772,786
Aggregate net OPEB liability	46,684,283
Aggregate net pension liability	401,557,422
Total liabilities	862,003,624
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	9,645,752
Deferred inflows of resources related to pensions	33,511,776
Total deferred inflows of resources	43,157,528
Net Position	
Net investment in capital assets	1,739,151,211
Restricted for	
Debt service	4,775,477
Capital projects	430,513,216
Educational programs	102,043,177
Other restrictions	95,220,926
Unrestricted deficit	(367,876,174)
Total net position	$ 2,003,827,833

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 349,006,108	$ 575,152	$ 67,029,897	$ 20,454,936	$ (260,946,123)
Instruction-related activities					
Supervision of instruction	29,535,570	152,772	6,336,054	-	(23,046,744)
Instructional library, media, and technology	13,170,410	918	(1,190)	-	(13,170,682)
School site administration	33,384,065	29,888	1,755,039	-	(31,599,138)
Pupil services					
Home-to-school transportation	15,032,451	67,785	1,314,068	-	(13,650,598)
Food services	17,315,029	495,818	21,857,344	-	5,038,133
All other pupil services	53,135,984	65,894	9,649,708	-	(43,420,382)
Administration					
Data processing	7,833,883	-	-	-	(7,833,883)
All other administration	5,835,362	34,714	1,874,846	-	(3,925,802)
Plant services	71,702,252	364,457	5,045,268	-	(66,292,527)
Ancillary services	18,318,639	82,176	18,386,564	-	150,101
Community services	1,366,937	-	-	-	(1,366,937)
Interest on long-term liabilities	9,884,737	-	-	-	(9,884,737)
Other outgo	3,092,347	3,565,215	17,801,658	-	18,274,526
Total governmental activities	$ 628,613,774	$ 5,434,789	$ 151,049,256	$ 20,454,936	(451,674,793)
General Revenues and Subventions					
Property taxes, levied for general purposes					403,840,706
Property taxes, levied for debt service					10,441,281
Taxes levied for other specific purposes					12,671,829
Federal and State aid not restricted to specific purposes					53,240,947
Interest and investment earnings					8,910,543
Interagency (expenditures)					(2,056,003)
Miscellaneous					56,364
Subtotal, general revenues and subventions					487,105,667
Change in Net Position					35,430,874
Net Position - Beginning, as previously reported					2,040,110,532
Adjustments (Note 17)					(71,713,573)
Net Position - Beginning, as restated					1,968,396,959
Net Position - Ending					$ 2,003,827,833

	General Fund	Building Fund	County School Facilities Fund
Assets			
Deposits and investments	$ 138,857,804	$ 76,831,205	$ 278,892,275
Receivables	32,240,322	258,893	937,138
Due from other funds	2,892,371	1,640,188	89,753
Prepaid expenditures	228,619	-	-
Stores inventories	250,292	-	-
Other current assets	24,849	-	-
Total assets	$ 174,494,257	$ 78,730,286	$ 279,919,166
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 25,474,544	$ 447,807	$ 9,553,157
Due to other funds	1,215,810	25,460	76,665
Unearned revenue	2,748,295	-	-
Total liabilities	29,438,649	473,267	9,629,822
Fund Balances			
Nonspendable	628,911	-	-
Restricted	102,043,177	78,257,019	270,289,344
Committed	5,000,000	-	-
Assigned	19,028,777	-	-
Unassigned	18,354,743	-	-
Total fund balances	145,055,608	78,257,019	270,289,344
Total liabilities and fund balances	$ 174,494,257	$ 78,730,286	$ 279,919,166

	CFD Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and investments	$ 101,545,526	$ 113,467,211	$ 709,594,021
Receivables	81,852	6,172,502	39,690,707
Due from other funds	-	1,215,810	5,838,122
Prepaid expenditures	-	9,597	238,216
Stores inventories	-	181,856	432,148
Other current assets	-	-	24,849
Total assets	$ 101,627,378	$ 121,046,976	$ 755,818,063
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 400,490	$ 6,419,208	$ 42,295,206
Due to other funds	196,620	2,021,896	3,536,451
Unearned revenue	-	1,019,964	3,768,259
Total liabilities	597,110	9,461,068	49,599,916
Fund Balances			
Nonspendable	-	191,453	820,364
Restricted	101,030,268	110,547,971	662,167,779
Committed	-	846,484	5,846,484
Assigned	-	-	19,028,777
Unassigned	-	-	18,354,743
Total fund balances	101,030,268	111,585,908	706,218,147
Total liabilities and fund balances	$ 101,627,378	$ 121,046,976	$ 755,818,063

Total Fund Balance - Governmental Funds		$ 706,218,147
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 2,270,200,706	
Accumulated depreciation and amortization is	(383,518,665)	
Net capital assets		1,886,682,041
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.		(3,418,563)
Long-term receivables related to Irvine Unified School District Financing Authority are not received in the near term (within a year) and therefore, are not reported as receivables in the governmental funds. Current year collections totaling $2,250,000 were received, leaving a balance of $46,380,000.		46,380,000
In governmental funds, unmatured interest on long-term receivables is recognized in the period when it is received. On the government-wide financial statements, unmatured interest on long-term receivables is recognized when it is earned.		737,233
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.		52,060,599
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:		
Debt refundings (deferred charge on refunding)	2,407,731	
Aggregate net OPEB liability	10,715,643	
Aggregate net pension liability	141,481,677	
Total deferred outflows of resources		154,605,051
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:		
Aggregate net OPEB liability	(9,645,752)	
Aggregate net pension liability	(33,511,776)	
Total deferred inflows of resources		(43,157,528)

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (401,557,422)
The District's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(48,603,484)
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, including premium	$ (222,396,202)	
IUSD Public Financing Authority (PFA) local agency bonds	(46,380,000)	
Financed purchases	(414,538)	
Subscription-based IT arrangements	(5,384,840)	
Compensated absences	(71,542,661)	
Total long-term liabilities		(346,118,241)
Total net position - governmental activities		$ 2,003,827,833

	General Fund	Building Fund	County School Facilities Fund
Revenues			
Local Control Funding Formula (LCFF)	$ 443,684,550	$ -	$ -
Federal sources	15,790,507	-	-
Other State sources	93,641,834	-	6,914,395
Other local sources	44,402,346	4,153,251	13,540,541
Total revenues	597,519,237	4,153,251	20,454,936
Expenditures			
Current			
Instruction	358,600,160	-	-
Instruction-related activities			
Supervision of instruction	29,922,408	-	-
Instructional library, media, and technology	12,980,101	-	-
School site administration	35,059,099	-	-
Pupil services			
Home-to-school transportation	15,028,958	-	-
Food services	90,089	-	-
All other pupil services	53,990,191	-	-
Administration			
Data processing	7,837,032	-	-
All other administration	10,903,669	-	-
Plant services	58,808,595	93,596	74,808
Ancillary services	12,067,434	-	-
Community services	1,368,984	-	-
Other outgo	3,092,347	-	-
Facility acquisition and construction	2,027,667	22,026,234	27,726,860
Debt service			
Principal	4,107,451	-	-
Interest and other	110,910	-	-
Total expenditures	605,995,095	22,119,830	27,801,668
Excess (Deficiency) of Revenues Over Expenditures	(8,475,858)	(17,966,579)	(7,346,732)
Other Financing Sources (Uses)			
Transfers in	2,301,524	9,882,242	19,224,007
Other sources - penultimate day	-	-	-
Other sources - proceeds from issuance of SBITAs	5,661,473	-	-
Transfers out	(10,042,784)	-	(6,914,395)
Net Financing Sources (Uses)	(2,079,787)	9,882,242	12,309,612
Net Change in Fund Balances	(10,555,645)	(8,084,337)	4,962,880
Fund Balance - Beginning	155,611,253	86,341,356	265,326,464
Fund Balance - Ending	$ 145,055,608	$ 78,257,019	$ 270,289,344

	CFD Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	$ -	$ -	$ 443,684,550
Federal sources	-	7,394,510	23,185,017
Other State sources	-	20,372,887	120,929,116
Other local sources	5,030,830	32,813,322	99,940,290
Total revenues	5,030,830	60,580,719	687,738,973
Expenditures			
Current			
Instruction	-	1,772,405	360,372,565
Instruction-related activities			
Supervision of instruction	-	175,825	30,098,233
Instructional library, media, and technology	-	-	12,980,101
School site administration	-	407,130	35,466,229
Pupil services			
Home-to-school transportation	-	-	15,028,958
Food services	-	16,718,038	16,808,127
All other pupil services	-	-	53,990,191
Administration			
Data processing	-	-	7,837,032
All other administration	-	327,870	11,231,539
Plant services	1,197,165	4,776,708	64,950,872
Ancillary services	-	6,285,481	18,352,915
Community services	-	-	1,368,984
Other outgo	-	-	3,092,347
Facility acquisition and construction	3,667,653	18,988,970	74,437,384
Debt service			
Principal	-	6,250,000	10,357,451
Interest and other	-	10,411,938	10,522,848
Total expenditures	4,864,818	66,114,365	726,895,776
Excess (Deficiency) of Revenues Over Expenditures	166,012	(5,533,646)	(39,156,803)
Other Financing Sources (Uses)			
Transfers in	-	5,685,257	37,093,030
Other sources - penultimate day	10,409,720	-	10,409,720
Other sources - proceeds from issuance of SBITAs	-	-	5,661,473
Transfers out	(19,224,007)	(2,967,847)	(39,149,033)
Net Financing Sources (Uses)	(8,814,287)	2,717,410	14,015,190
Net Change in Fund Balances	(8,648,275)	(2,816,236)	(25,141,613)
Fund Balance - Beginning	109,678,543	114,402,144	731,359,760
Fund Balance - Ending	$ 101,030,268	$ 111,585,908	$ 706,218,147

Total Net Change in Fund Balances - Governmental Funds		$ (25,141,613)
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 expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.		
Capital outlay	$ 78,480,363	
Depreciation and amortization expense	(28,222,351)	
Net expense adjustment		50,258,012
Right-to-use subscription IT assets acquired this year were financed with Subscription-Based IT Arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(5,661,473)
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.		813,853
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 aggregate net pension liability during the year.		16,428,619
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 aggregate net OPEB liability during the year.		(2,608,119)
Governmental funds report the effect of premiums and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Deferred charge on refunding amortization		(215,617)
Amortization of debt premium		749,561

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	$	4,000,000
Irvine Unified School District Public Financing Authority local agency bonds		2,250,000
Financed purchases		84,853
Subscription-based IT arrangements		4,022,598
The collection of tax assessment are revenues in the governmental funds, but it reduces long-term receivables in the Statement of Net Position and does not affect the Statement of Activities.		(2,250,000)
Interest on long-term receivables is recorded as a revenue in the funds when it is received; however, in the Statement of Activities, interest revenue is recognized as the interest accretes or accrues, regardless of when it is received.		(37,500)
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 accretes or accrues, regardless of when it is due.		104,167
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		(7,366,467)
Change in net position of governmental activities	$	35,430,874

	Governmental Activities Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 69,447,244
Receivables	1,157,475
Total current assets	70,604,719
Liabilities	
Current liabilities	
Accounts payable	2,434,184
Due to other funds	2,301,671
Total current liabilities	4,735,855
Noncurrent liabilities	
Claims liability	13,808,265
Total liabilities	18,544,120
Net Position	
Restricted	$ 52,060,599

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges to other funds and miscellaneous revenues	$ 51,429,760
Operating Expenses	
Payroll costs	558,396
Professional and contract services	63,319,231
Supplies and materials	33,065
Total operating expenses	63,910,692
Operating Loss	(12,480,932)
Nonoperating Revenues	
Change in fair value of cash in county treasury	495,334
Interest income	2,563,128
Total nonoperating revenues	3,058,462
Loss before transfers	(9,422,470)
Transfers in	4,357,527
Transfers out	(2,301,524)
Total net transfers	2,056,003
Change in Net Position	(7,366,467)
Total Net Position - Beginning	59,427,066
Total Net Position - Ending	$ 52,060,599

	Internal Service Fund
Operating Activities	
Cash receipts from interfund services provided	$ 54,001,366
Cash payments to other suppliers of goods or services	(39,467)
Cash payments to employees for services	(558,396)
Cash payments for insurance claims	(13,994,296)
Cash payments for interfund services used	(46,790,769)
Net Cash From Operating Activities	(7,381,562)
Noncapital Financing Activities	
Transfers from other funds	4,357,527
Transfers to other funds	(2,301,524)
Net Cash From Noncapital Financing Activities	2,056,003
Investing Activities	
Interest income	2,434,404
Change in fair value of cash in county treasury	495,334
Net Cash From Investing Activities	2,929,738
Net Change in Cash and Cash Equivalents	(2,395,821)
Cash and Cash Equivalents, Beginning	71,843,065
Cash and Cash Equivalents, Ending	$ 69,447,244
Reconciliation of Operating Loss to Net Cash From Operating Activities	
Operating loss	$ (12,480,932)
Changes in assets and liabilities	
Receivables	148,411
Due from other funds	121,580
Accounts payable	(468,083)
Due to other funds	2,301,615
Claims liability	2,995,847
Net Cash From Operating Activities	$ (7,381,562)

	Custodial Funds
Assets	
Deposits and investments	$ 38,136,556
Receivables	1,018
Total assets	$ 38,137,574
Net Position	
Restricted for individuals, organizations, and other governments	$ 38,137,574

	Custodial Funds
Additions	
Special tax assessment	$ 130,852,624
Interest	1,969,725
Total additions	132,822,349
Deductions	
Administrative expenses	11,292,497
Debt service payments	109,624,931
Payments to other governments	9,373,869
Total deductions	130,291,297
Net Change in Fiduciary Net Position	2,531,052
Net Position - Beginning	35,606,522
Net Position - Ending	$ 38,137,574

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Irvine Unified School District (the District) was unified on July 1, 1972, 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 TK-12 as mandated by the State and/or Federal agencies. The District operates twenty-four elementary schools, four K-8 schools, six middle schools, five high schools, one continuation school, one virtual academy school, and one adult education center.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Irvine Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units described below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and thus is included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Irvine Unified School District, the Irvine Unified School District Public Financing Authority (the Authority) and the Community Facilities Districts (the CFDs) have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for inclusion of the Authority and CFDs as component units of the District. Accordingly, the financial statements of the Authority and the CFDs have been included in the financial statements of the District. The financial statements present the Authority's financial activities within the Debt Service Fund for Blended Component Units. The CFDs' financial activity is presented in the CFD Capital Projects Fund and the Custodial Funds. Debt instruments issued by the Authority are included as long-term liabilities in the government-wide financial statement. Debt instruments issued by the CFD do not represent liabilities of the District or of the component units and are not included in the government-wide financial statements.

Other Related Entities

Charter School The District has approved a charter for Irvine Chinese Immersion Academy pursuant to *Education Code* Section 47605. The Irvine Chinese Immersion Academy was granted and approved on February 7, 2023, for a term of five years commencing July 1, 2023 and continuing through June 30, 2028.

The Irvine Chinese Immersion Academy (the Charter School) is not operated by the District. The Charter School operates and provides school services as in independent entity and is not considered a component unit of the District. The District's General Fund includes property taxes received for the charter school and a corresponding expense in other outgo.

The Charter School is required in its individual charter agreement to have an annual financial audit performed. Additionally, the Charter School is to provide the District with an annual financial report.

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 three broad fund categories: governmental, proprietary, and fiduciary.

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.

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.

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.).

Community Facilities District (CFD) Capital Projects Fund The CFD Capital Projects Fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

- **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).

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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).

- **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).

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* Section 15125-15262).

- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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 Fund may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance program that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds account for the levying of special taxes by the Community Facilities District.

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 financial statement of activities presents a comparison between expenses, both direct and indirect of the District and for each governmental function and excludes fiduciary activity. 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 position 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 result from special revenue funds and the internal service fund, 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **Governmental Funds** All governmental funds are accounted for using a 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 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.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 requirements. 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 including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost. Fair values of investments in the County Treasury investment pool is 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 consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $20,000. Federally funded assets maintain a capitalization threshold of $10,000. 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 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 using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 5 to 25 years; equipment, 5 to 10 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 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. The amortization period varies from 2 to 5 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the Statement of Net Position.

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, the 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.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund 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, claims and judgments, 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 and other long-term liabilities are recognized as a liability in the governmental fund financial statements when due.

Debt Premiums

Debt premiums and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Debt premiums, as well as issuance costs related to prepaid insurance costs, 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.

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, OPEB, and 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 for OPEB and pension related items.

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 aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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’s 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 recognizes 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 aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

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, Assistant Superintendent of Business Services (CFO), or the Director of Fiscal Services may assign amounts for specific purposes. Assigned funds cannot cause a deficit in unassigned fund balance.

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 two percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets, deferred outflows of resources, 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 $632,552,796 of restricted net position and the fiduciary funds financial statements report $38,137,574 of restricted net position.

Operating Revenues and Expenses – Proprietary Funds

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating 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 Orange 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 provides 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 17.

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	$ 709,594,021
Proprietary funds	69,447,244
Fiduciary funds	38,136,556
Total deposits and investments	$ 817,177,821

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

Cash on hand and in banks	$ 8,058,142
Cash with fiscal agent	804,000
Cash in revolving	150,000
Investments	808,165,679
Total deposits and investments	$ 817,177,821

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 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.

The Treasury Oversight Committee established in December 1995, which consists of the elected County Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, one special district representative member, and one member from the public sector appointed by the Board, conducts Treasury oversight of the Orange County Educational Investment Pool. The Orange County Treasury Investment Pool is not registered with the SEC.

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 primarily investing in the Orange County Treasury Investment pool and money market funds.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Weighted Average Days to Maturity
Money Market Funds	$ 115,017,688	No maturity
Orange County Treasury Investmemt Pool	693,147,991	273
Total	$ 808,165,679	

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 Orange County Treasury Investment Pool and the Money Market Funds are rated by S&P Global Ratings. Presented below is the minimum rating required by the California *Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Reported Amount	Minimum Legal Rating	Rating as of Year End
Money Market Funds	$ 115,017,688	N/A	AAAm
Orange County Treasury Investmemt Pool	693,147,991	N/A	AAAf/S1
Total	$ 808,165,679		

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, the District's bank balance of approximately $7.0 million was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments in money market funds of $115,017,688, a portion is guaranteed by the Securities Investor Protection Corporation (SIPC). The District does not have a policy limiting the amount of securities that can be held by counterparties.

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	County School Facilities Fund	CFD Capital Projects Fund
Federal Government				
Categorical aid	$ 10,861,684	$ -	$ -	$ -
State Government				
LCFF apportionment	5,056,008	-	-	-
Categorical aid	9,108,635	-	-	-
Lottery	2,820,464	-	-	-
Local Government				
Interest	562,240	258,893	937,138	81,852
Other local sources	3,831,291	-	-	-
Total	$ 32,240,322	$ 258,893	$ 937,138	$ 81,852

	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities Total	Custodial Funds
Federal Government				
Categorical aid	$ 1,602,714	$ -	$ 12,464,398	$ -
State Government				
LCFF apportionment	-	-	5,056,008	-
Categorical aid	4,170,052	-	13,278,687	-
Lottery	-	-	2,820,464	-
Local Government				
Interest	399,736	371,537	2,611,396	1,018
Other local sources	-	785,938	4,617,229	-
Total	$ 6,172,502	$ 1,157,475	$ 40,848,182	$ 1,018

Note 4 - Long-Term Receivables

Proceeds from bonds issued by the Irvine Unified School District Public Financing Authority (IUSD PFA) were used to purchase outstanding bonds of various Community Facilities Districts (CFDs). In accordance with the agreement between the IUSD PFA and CFD's, special tax assessments collected from the CFDs that benefitted will be used to repay the outstanding bonds issued by the IUSD PFA. The total amount of benefit provided by the IUSD PFA through the issuance of its special tax bonds was $61,660,000. Current year payments totaling $2,250,000 were received, leaving a total of $46,380,000 due from the CFDs as of June 30, 2025.

Note 5 - Capital Assets

Capital assets activity for the fiscal 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	$ 719,387,022	$ -	$ -	$ 719,387,022
Construction in progress	342,433,148	69,362,570	(116,206,953)	295,588,765
Total capital assets not being depreciated or amortized	1,061,820,170	69,362,570	(116,206,953)	1,014,975,787
Capital assets being depreciated or amortized				
Land improvements	32,612,815	988,724	-	33,601,539
Buildings and improvements	1,059,286,509	116,809,981	-	1,176,096,490
Furniture and equipment	31,918,731	1,864,568	-	33,783,299
Right-to-use subscription IT assets	10,121,409	5,661,473	(4,039,291)	11,743,591
Total capital assets being depreciated or amortized	1,133,939,464	125,324,746	(4,039,291)	1,255,224,919
Total capital assets	2,195,759,634	194,687,316	(120,246,244)	2,270,200,706
Accumulated depreciation and amortization				
Land improvements	(17,196,181)	(998,364)	-	(18,194,545)
Buildings and improvements	(315,962,018)	(20,724,903)	-	(336,686,921)
Furniture and equipment	(20,945,852)	(1,929,036)	-	(22,874,888)
Right-to-use subscription IT assets	(5,231,554)	(4,570,048)	4,039,291	(5,762,311)
Total accumulated depreciation and amortization	(359,335,605)	(28,222,351)	4,039,291	(383,518,665)
Net depreciable and amortizable capital assets	774,603,859	97,102,395	-	871,706,254
Governmental activities capital assets, net	$ 1,836,424,029	$ 166,464,965	$ (116,206,953)	$ 1,886,682,041

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

Governmental Activities	
Instruction	$ 22,316,678
Instructional library, media, and technology	293,590
Food services	348,460
All other administration	691,900
Plant services	4,571,723
Total depreciation and amortization expense governmental activities	$ 28,222,351

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2025, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From						
Due To	General Fund	Building Fund	County School Facilities Fund	CFD Capital Projects Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 25,460	$ 76,665	$ 106,867	$ 381,708	$ 2,301,671	$ 2,892,371
Building Fund	-	-	-	-	1,640,188	-	1,640,188
County School Facilities Fund	-	-	-	89,753	-	-	89,753
Non-Major Governmental Funds	1,215,810	-	-	-	-	-	1,215,810
Total	$ 1,215,810	$ 25,460	$ 76,665	$ 196,620	$ 2,021,896	$ 2,301,671	$ 5,838,122

The General Fund owes the Cafeteria Non-Major Governmental Fund for reimbursement of operating expenditures.	$ 1,215,810
The Building Fund owes the General Fund for reimbursement of payroll expenditures.	25,460
The County School Facilities Fund owes the General Fund for reimbursement of payroll expenditures.	76,665
The CFD Capital Projects Fund owes the General Fund for reimbursement of payroll and operating expenditures.	106,867
The CFD Capital Projects Fund owes the County School Facilites Fund for reimbursement of Stonegate Elementary School project expenditures.	89,753
The Adult Education Non-Major Governmental Fund owes the General Fund for reimbursement of operating expenditures.	15,340
The Child Development Non-Major Governmental Fund owes the General Fund for reimbursement of operating expenditures.	51,796
The Cafeteria Non-Major Governmental Fund owes the General Fund for reimbursement of operating expenditures.	269,915
The Capital Facilities Non-Major Governmental Fund owes the General Fund for reimbursement of payroll expenditures.	11,040
The Capital Facilities Non-Major Governmental Fund owes the Building Fund for reimbursement of Culverdale Elementary relocaiton project expenditures.	1,640,188
The Special Reserve for Capital Outlay Projects Non-Major Governmental Fund owes the General Fund for reimbursement of payroll expenditures.	33,617
The Internal Service Fund owes the General Fund for reimbursement of operating expenditures, transfer of interest earnings, and temporary disability costs.	2,301,671
	$ 5,838,122

Operating Transfers

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

	Transfer From					
Transfer To	General Fund	County School Facilities Fund	CFD Capital Projects Fund	Non-Major Governmental Funds	Internal Service Funds	Total
General Fund	$ -	$ -	$ -	$ -	$ 2,301,524	$ 2,301,524
Building Fund	-	6,914,395	-	2,967,847	-	9,882,242
County School Facilities Fund	-	-	19,224,007	-	-	19,224,007
Non-Major Governmental Funds	5,685,257	-	-	-	-	5,685,257
Internal Service Fund	4,357,527	-	-	-	-	4,357,527
Total	$ 10,042,784	$ 6,914,395	$ 19,224,007	$ 2,967,847	$ 2,301,524	$ 41,450,557

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future projects.	$ 3,650,000
The General Fund transferred to the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for turf replacement reserve and techology maintenance reserve.	1,100,000
The General Fund transferred to the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for community redevelopment and contributions for future projects.	935,257
The General Fund transferred to the Internal Service Fund for property and liability to cover premiums and operating costs.	4,357,527
The County School Facilities Fund transferred to the Building Fund for construction-related expenditures.	6,914,395
The CFD Capital Projects Fund transferred to the County School Facilities Fund for construction-related expenditures.	19,224,007
The Special Reserve for Capital Outlay Projects Non-Major Governmental Fund transferred to the Building Fund for construction-related expenditures.	2,967,847
The Internal Service Fund transferred to the General Fund interest earnings.	1,807,713
The Internal Service Fund transferred to the General Fund to cover temporary disability costs.	493,811
Total	$ 41,450,557

Note 7 - Accounts Payable

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

	General Fund	Building Fund	County School Facilities Fund	CFD Capital Projects Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	$ 9,028,754	$ -	$ -	$ -	$ 3,697,064	$ 2,390,993	$ 15,116,811
Salaries and benefits	16,445,790	-	-	-	646,345	43,191	17,135,326
Construction	-	447,807	9,553,157	400,490	2,075,799	-	12,477,253
Total	$ 25,474,544	$ 447,807	$ 9,553,157	$ 400,490	$ 6,419,208	$ 2,434,184	$ 44,729,390

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	$ 1,340,960	$ -	$ 1,340,960
State categorical aid	1,407,335	482,924	1,890,259
Other local	-	537,040	537,040
Total	$ 2,748,295	$ 1,019,964	$ 3,768,259

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	$ 211,575,000	$ -	$ (4,000,000)	$ 207,575,000	$ 3,520,000
Unamortized debt premiums	15,570,763	-	(749,561)	14,821,202	-
Irvine Unified School District Public Financing Authority (PFA) local agency bonds	48,630,000	-	(2,250,000)	46,380,000	2,450,000
Financed purchases	499,391	-	(84,853)	414,538	95,652
Subscription-based IT arrangements	3,745,965	5,661,473	(4,022,598)	5,384,840	2,197,873
Compensated absences	72,356,514	-	(813,853)	71,542,661	23,890,195
Claims liability	10,812,418	2,995,847	-	13,808,265	-
Total	$ 363,190,051	$ 8,657,320	$ (11,920,865)	$ 359,926,506	$ 32,153,720

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

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the Irvine Unified School District Public Financing Authority special tax revenue bonds are made by the Debt Service Fund for Blended Component Units. Payments for the subscription-based IT arrangements and financed purchases are made by the General Fund. Payments for the claims liability are made by the Internal Service 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	Issued	Redeemed	Bonds Outstanding June 30, 2025
10/11/2016	9/1/2046	3.13-5.00%	$ 95,000,000	$ 69,400,000	$ -	$ (3,950,000)	$ 65,450,000
8/30/2018	9/1/2048	3.50-6.00%	41,000,000	37,700,000	-	-	37,700,000
4/7/2021	9/1/2050	2.25-5.00%	45,000,000	44,475,000	-	(50,000)	44,425,000
10/25/2023	9/1/2051	4.25-5.50%	60,000,000	60,000,000	-	-	60,000,000
				$ 211,575,000	$ -	$ (4,000,000)	$ 207,575,000

2016 General Obligation Bonds, Series 2016A

In October 2016, the District issued General Obligation Bonds, Series 2016A, in the amount of $95,000,000. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of classrooms, school, sites, and facilities and costs related thereto, as approved by the voters, for schools in Improvement District No. 1. Interest rates on the bonds range from 3.13% to 5.00%.

2016 General Obligation Bonds, Series 2018B

In August 2018, the District issued General Obligation Bonds, Series 2018B, in the amount of $41,000,000. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of classrooms, school, sites, and facilities and costs related thereto, as approved by the voters, for schools in Improvement District No. 1. Interest rates on the bonds range from 3.50% to 6.00%.

2016 General Obligation Bonds, Series 2021C

In April 2021, the District issued General Obligation Bonds, Series 2021C, in the amount of $45,000,000. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of classrooms, school, sites, and facilities and costs related thereto, as approved by the voters, for schools in Improvement District No. 1. Interest rates on the bonds range from 2.25% to 5.00%.

2016 General Obligation Bonds, Series 2023D

In October 2023, the District issued General Obligation Bonds, Series 2023D, in the amount of $60,000,000. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of classrooms, school, sites, and facilities and costs related thereto, as approved by the voters, for schools in Improvement District No. 1. Interest rates on the bonds range from 4.25% to 5.50%.

Debt Service Requirements to Maturity

The general obligation bonds mature as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 3,520,000	$ 7,954,738	$ 11,474,738
2027	3,350,000	7,781,688	11,131,688
2028	3,900,000	7,599,788	11,499,788
2029	4,490,000	7,428,337	11,918,337
2030	1,955,000	7,311,749	9,266,749
2031-2035	16,165,000	34,729,815	50,894,815
2036-2040	30,180,000	29,837,714	60,017,714
2041-2045	48,610,000	22,169,776	70,779,776
2046-2050	67,565,000	11,316,868	78,881,868
2051-2052	27,840,000	1,019,115	28,859,115
Total	$ 207,575,000	$ 137,149,588	$ 344,724,588

Irvine Unified School District Public Financing Authority (IUSD PFA) Local Agency Bonds

The Irvine Unified School District Public Financing Authority (the Authority) was created to refinance certain Community Facility Districts' (CFD) debt. On December 13, 2016, the Authority issued $61,660,000 of Local Agency Bonds series 2016. The bonds refinanced the debt for CFD 04-1, CFD 04-2A, and CFD 04-2B. As of June 30, 2025, the principal balance on the IUSD PFA bonds was $46,380,000.

The local agency bonds mature as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 2,450,000	$ 2,150,450	$ 4,600,450
2027	2,665,000	2,022,575	4,687,575
2028	2,885,000	1,883,825	4,768,825
2029	3,120,000	1,733,700	4,853,700
2030	3,375,000	1,571,325	4,946,325
2031-2035	21,155,000	4,942,625	26,097,625
2036-2037	10,730,000	435,600	11,165,600
Total	$ 46,380,000	$ 14,740,100	$ 61,120,100

Financed Purchases

The District has entered into a financed purchase agreement for copiers located throughout the District. The terms of the agreement are for payments to be made by the District over a term of 60 months, with an interest rate of 12.04%. As of June 30, 2025, the liability balance for the financed purchases was $414,538.

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

Year Ending June 30,	Principal	Interest	Total
2026	$ 95,652	$ 44,746	$ 140,398
2027	107,826	32,572	140,398
2028	121,549	18,849	140,398
2029	89,511	4,089	93,600
Total	$ 414,538	$ 100,256	$ 514,794

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into various SBITAs for the use of the students and staff of the District. At June 30, 2025, the District has recognized right-to-use subscriptions IT assets net of accumulated amortization of $5,981,280 and SBITA liabilities of $5,384,840 related to these agreements. During the fiscal year, the District recorded $4,570,048 in amortization expense and $55,365 in interest expense. The District is required to make total principal and interest payments of $5,548,291 through June 2029. The subscriptions have interest rates of 1.58-3.12%.

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

Year Ending June 30,	Principal	Interest	Total
2026	$ 2,197,873	$ 76,387	$ 2,274,260
2027	1,453,183	48,406	1,501,589
2028	1,047,525	27,701	1,075,226
2029	686,259	10,957	697,216
Total	$ 5,384,840	$ 163,451	$ 5,548,291

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

For the fiscal 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 OBEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Retiree Health Plan	$ 47,196,600	$ 10,715,643	$ 9,645,752	$ 2,787,315
Medicare Premium Payment (MPP Program)	1,406,884	-	-	(179,196)
Total	$ 48,603,484	$ 10,715,643	$ 9,645,752	$ 2,608,119

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. Management of the Plan is vested in District management.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	121
Active employees	2,795
Total	2,916

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 Irvine Teachers Association (ITA), 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, ITA, CSEA, and the unrepresented groups. For the year ended June 30, 2025, the District paid $1,919,201 to the Plan in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $47,196,600 was measured as of June 30, 2024, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability as of June 30, 2024 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total OPEB liability to June 30, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.80%
Salary increases	0.19-8.00%, including inflation, depending on length of service
Discount rate	4.00%
Healthcare cost trend rates	4.00% for medical, 4.00% for dental, and 2.00% for vision.

The discount rate was based on the Fidelity yield index for 20-year AA rated municipal bonds.

Based on the most recent pension experience studies, CalSTRS and CalPERS actuaries have updated their valuation mortality assumptions and incorporated a margin for future mortality improvement. They have deemed the rates to be reasonable based on experience and compliant with ASOP 35 for their respective experience studies (June 30, 2022 for CalSTRS and June 30, 2019 for CalPERS). The demographic rates used for a retiree health valuation generally mirror those adopted by its companion pension plan.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the 48 months ending June 30, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2023	$ 44,042,700
Service cost	3,586,600
Interest	1,676,500
Changes of assumptions	130,800
Benefit payments	(2,240,000)
Net change in total OPEB liability	3,153,900
Balance, June 30, 2024	$ 47,196,600

There was a change in the discount rate assumption from 3.75% to 4.00% since the previous valuation. There were no changes in benefit terms 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 (3.00%)	$ 50,391,500
Current discount rate (4.00%)	47,196,600
1% increase (5.00%)	44,095,700

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (Various rates decreasing to 3.00% for medical and dental and 1.00% for vision)	$ 41,666,200
Current healthcare cost trend rates (Various rates 4.00% for medical and dental and 2.00% for vision)	47,196,600
1% increase (Various rates increasing to 5.00% for medical and dental and 3.00% for vision)	53,769,300

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,919,201	$ -
Differences between expected and actual experience	6,274,790	5,503,696
Changes of assumptions	2,521,652	4,142,056
Total	$ 10,715,643	$ 9,645,752

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

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 13.8 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (109,957)
2027	(109,957)
2028	(109,957)
2029	(109,957)
2030	(109,957)
Thereafter	(299,525)
Total	$ (849,310)

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 $1,406,884 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 0.5278%, and 0.5227%, resulting in a net increase in the proportionate share of 0.0051%.

For the year ended June 30, 2025, the District recognized OPEB expense of $(179,196).

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%)	$ 1,517,992
Current discount rate (3.93%)	1,406,884
1% increase (4.93%)	1,309,182

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 current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the 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)	$ 1,303,327
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	1,406,884
1% increase (6.00% Part A and 7.50% Part B)	1,522,500

Note 11 - Non-Obligatory Debt

Bonded Debt - Community Facilities District (CFD) Special Tax Bonds

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mark-Roos Local Bond Pooling Act of 1985 and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of $509,665,000 as of June 30, 2025, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	CFD Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 150,000	$ -	$ -	$ -	$ -	$ 150,000
Prepaid expenditures	228,619	-	-	-	9,597	238,216
Stores inventories	250,292	-	-	-	181,856	432,148
Total nonspendable	628,911	-	-	-	191,453	820,364
Restricted						
Legally restricted programs	102,043,177	-	-	-	4,354,484	106,397,661
Child development programs	-	-	-	-	2,043,254	2,043,254
Food service	-	-	-	-	36,762,589	36,762,589
Capital projects	-	78,257,019	270,289,344	101,030,268	59,193,604	508,770,235
Debt services	-	-	-	-	8,194,040	8,194,040
Total restricted	102,043,177	78,257,019	270,289,344	101,030,268	110,547,971	662,167,779
Committed						
Adult education program	-	-	-	-	398,244	398,244
Deferred maintenance program	-	-	-	-	448,240	448,240
Contingency reserve	5,000,000	-	-	-	-	5,000,000
Total committed	5,000,000	-	-	-	846,484	5,846,484
Assigned						
Site/department carryover	9,413,997	-	-	-	-	9,413,997
LCAP allocations	9,614,780	-	-	-	-	9,614,780
Total assigned	19,028,777	-	-	-	-	19,028,777
Unassigned						
Reserve for economic uncertainties	12,207,529	-	-	-	-	12,207,529
Remaining unassigned	6,147,214	-	-	-	-	6,147,214
Total unassigned	18,354,743	-	-	-	-	18,354,743
Total	$145,055,608	$ 78,257,019	$270,289,344	$101,030,268	$111,585,908	$706,218,147

Note 13 - Risk Management - Claims

Description

The District's risk management activities for healthcare, property, liability, and workers' compensation exposures are recorded in the Internal Services Funds. Significant losses are covered by excess insurance for all programs. The District is self-funded for medical and dental claims and purchases commercial insurance for specific medical losses above a certain level. The District is also self-funded for its property and liability program and any losses above the District's member retained limit (Property: $100,000 / Liability: $250,000) are covered by excess property/liability insurance through a joint powers authority, Southern California Regional Liability Excess Funds (SCR). Refer to Note 16 for additional information regarding the JPAs.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The following is a summary of the insurance policies carried by the District as of June 30, 2025:

Insurance Program Company Name	Type of Coverage	Limits
Workers' Compensation Program	Reinsurance	$650,000 to California statutory limits
Southern California ReLiEF (SCR) - Property	Reinsurance	$100,000 - $500,250,000
Southern California ReLiEF (SCR) - Liability	Reinsurance	$250,000 - $75,000,000
Medical PPO	Reinsurance	$250,000 to unlimited for each subscriber
Medical HMO	Reinsurance	$225,000 to unlimited for each subscriber

Claims Liabilities

The District records an estimated liability for healthcare, workers' compensation and indemnity torts against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2023 to June 30, 2025:

	Health Care	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2023	$ 1,982,000	$ 7,680,987	$ 75,000	$ 9,737,987
Claims and changes in estimates	32,780,963	3,018,015	360,344	36,159,322
Claims payments	(32,525,963)	(2,198,584)	(360,344)	(35,084,891)
Liability Balance, June 30, 2024	2,237,000	8,500,418	75,000	10,812,418
Claims and changes in estimates	43,441,305	7,063,090	366,575	50,870,970
Claims payments	(42,629,305)	(4,879,243)	(366,575)	(47,875,123)
Liability Balance, June 30, 2025	$ 3,049,000	$ 10,684,265	$ 75,000	$ 13,808,265
Assets available to pay claims at June 30, 2025				$ 70,604,719

The District administers the Workers' Compensation Program through the purchase of commercial insurance for occurrences in excess of $500,000.

Note 14 - 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 fiscal year ended June 30, 2025, the District reported its proportionate share of the aggregate net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 243,005,282	$ 93,982,655	$ 28,203,417	$ 29,227,603
CalPERS	158,552,140	47,499,022	5,308,359	25,957,185
Total	$ 401,557,422	$ 141,481,677	$ 33,511,776	$ 55,184,788

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	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

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 $47,130,931.

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	$ 243,005,282
State's proportionate share of the net pension liability	111,491,659
Total	$ 354,496,941

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 school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.3618% and 0.3534%, respectively, resulting in a net increase in the proportionate share of 0.0084%.

For the year ended June 30, 2025, the District recognized pension expense of $29,227,603. In addition, the District recognized pension expense and revenue of $10,150,011 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	$ 47,130,931	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	18,300,964	-
Differences between projected and actual earnings on pension plan investments	-	980,516
Differences between expected and actual experience in the measurement of the total pension liability	27,487,026	10,626,483
Changes of assumptions	1,063,734	16,596,418
Total	$ 93,982,655	$ 28,203,417

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	$ (16,290,383)
2027	19,619,678
2028	(1,600,727)
2029	(2,709,084)
Total	$ (980,516)

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	$ 4,367,791
2027	4,275,350
2028	2,635,329
2029	4,080,239
2030	4,498,764
Thereafter	(228,650)
Total	$ 19,628,823

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%)	$ 432,226,880
Current discount rate (7.10%)	243,005,282
1% increase (8.10%)	84,997,396

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 provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
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 be 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 $24,482,476.

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 liability for its proportionate share of the CalPERS net pension liability totaling $158,552,140. 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 school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.4436% and 0.4542%, respectively, resulting in a net decrease in the proportionate share of 0.0106%.

For the year ended June 30, 2025, the District recognized pension expense of $25,957,185. 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	$ 24,482,476	$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	60,894	4,173,607
Differences between projected and actual earnings on pension plan investments	6,158,835	-
Differences between expected and actual experience in the measurement of the total pension liability	13,292,279	1,134,752
Changes of assumptions	3,504,538	-
Total	$ 47,499,022	$ 5,308,359

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	$ (53,092)
2027	9,575,589
2028	(1,414,912)
2029	(1,948,750)
Total	$ 6,158,835

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	$ 5,801,411
2027	3,506,678
2028	2,241,263
Total	$ 11,549,352

Actuarial Methods and Assumptions

Total pension liability for the SEP 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, 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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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 School Employer Pool 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:

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 235,530,528
Current discount rate (6.90%)	158,552,140
1% increase (7.90%)	94,961,865

Public Agency Retirement Services/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Public Agency Retirement Services (PARS) Alternative Retirement System (ARS) as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75% of an employee's gross earnings. An employee is required to contribute 3.75% of his or her gross earnings to the retirement plan.

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 $22,512,512 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated 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 15 - 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 approximately $48.2 million in commitments with respect to the unfinished capital projects to be funded through general obligation bonds, community facilities district special tax bonds, and capital project apportionments from California Department of General Services.

Note 16 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the Irvine Child Care Project (ICCP), the Coastline Regional Occupation Program (CROP), and the Southern California Regional Liability Excess Fund (SCR). The relationships between the District, the pools, 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.

Note 17 - 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 provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the current and noncurrent portions of compensated absences were increased by $22,731,813 and $48,981,760, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the following table:

	Government-Wide
Net Position - Beginning, as previously reported on July 1, 2024	$ 2,040,110,532
Change in accounting principle - adoption of GASB Statement No. 101	(71,713,573)
Net Position - Beginning, as restated on July 1, 2024	$ 1,968,396,959

Required Supplementary Information
June 30, 2025

Irvine Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 436,727,404	$ 443,684,550	$ 443,684,550	$ -
Federal sources	15,146,359	19,743,860	15,790,507	(3,953,353)
Other State sources	91,667,970	94,837,675	93,641,834	(1,195,841)
Other local sources	37,911,154	44,548,534	44,402,346	(146,188)
Total revenues	581,452,887	602,814,619	597,519,237	(5,295,382)
Expenditures				
Current				
Certificated salaries	251,329,574	249,752,479	252,842,003	(3,089,524)
Classified salaries	101,033,574	92,203,088	92,432,442	(229,354)
Employee benefits	147,773,655	146,637,958	146,067,733	570,225
Books and supplies	41,066,056	51,639,365	19,527,881	32,111,484
Services and operating expenditures	53,367,868	83,880,916	85,166,276	(1,285,360)
Other outgo	3,299,266	3,202,272	2,764,476	437,796
Capital outlay	484,873	2,981,753	2,975,923	5,830
Debt service				
Debt service - principal	-	-	4,107,451	(4,107,451)
Debt service - interest and other	-	-	110,910	(110,910)
Total expenditures	598,354,866	630,297,831	605,995,095	24,302,736
Excess (Deficiency) of Revenues Over Expenditures	(16,901,979)	(27,483,212)	(8,475,858)	19,007,354
Other Financing Sources (Uses)				
Transfers in	250,000	2,301,524	2,301,524	-
Other sources - proceeds from issuance of SBITAs	-	-	5,661,473	5,661,473
Transfers out	(15,743,527)	(10,042,784)	(10,042,784)	-
Net Financing Sources (Uses)	(15,493,527)	(7,741,260)	(2,079,787)	5,661,473
Net Change in Fund Balances	(32,395,506)	(35,224,472)	(10,555,645)	24,668,827
Fund Balance - Beginning	155,611,253	155,611,253	155,611,253	-
Fund Balance - Ending	$ 123,215,747	$ 120,386,781	$ 145,055,608	$ 24,668,827

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	$ 3,586,600	$ 2,752,600	$ 3,527,600	$ 3,764,800
Interest	1,676,500	1,344,800	778,900	1,224,700
Changes of benefit terms	-	-	-	(6,293,100)
Difference between expected and actual experience	-	6,541,900	-	(7,620,500)
Changes of assumptions	130,800	-	(4,857,900)	1,237,100
Benefit payments	(2,240,000)	(2,167,600)	(2,118,800)	(2,361,000)
Net change in total OPEB liability	3,153,900	8,471,700	(2,670,200)	(10,048,000)
Total OPEB Liability - Beginning	44,042,700	35,571,000	38,241,200	48,289,200
Total OPEB Liability - Ending	$ 47,196,600	$ 44,042,700	$ 35,571,000	$ 38,241,200
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 3,319,600	$ 3,089,700	$ 2,196,079	$ 3,063,400
Interest	1,427,500	1,452,000	1,381,800	1,315,500
Changes of benefit terms	-	(539,300)	-	-
Difference between expected and actual experience	-	1,163,100	-	-
Changes of assumptions	2,308,400	(538,600)	-	-
Benefit payments	(2,068,900)	(2,535,000)	(1,509,279)	(2,579,900)
Net change in total OPEB liability	4,986,600	2,091,900	2,068,600	1,799,000
Total OPEB Liability - Beginning	43,302,600	41,210,700	39,142,100	37,343,100
Total OPEB Liability - Ending	$ 48,289,200	$ 43,302,600	$ 41,210,700	$ 39,142,100
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[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.

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.5278%	0.5227%	0.5168%	0.5048%
Proportionate share of the net OPEB liability	$ 1,406,884	$ 1,586,080	$ 1,702,278	$ 2,013,275
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	0.5717%	0.5540%	0.5472%	0.5267%
Proportionate share of the net OPEB liability	$ 2,422,583	$ 2,062,947	$ 2,094,680	$ 2,215,849
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.

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.3618%	0.3534%	0.3443%	0.3358%	0.3281%
Proportionate share of the net pension liability	$ 243,005,282	$ 269,143,123	$ 239,258,671	$ 152,812,973	$ 317,932,796
State's proportionate share of the net pension liability	111,491,659	128,954,039	119,819,807	76,889,561	163,894,394
Total	$ 354,496,941	$ 398,097,162	$ 359,078,478	$ 229,702,534	$ 481,827,190
Covered payroll	$ 240,561,602	$ 218,085,576	$ 203,646,152	$ 184,274,929	$ 179,477,871
Proportionate share of the net pension liability as a percentage of its covered payroll	101.02%	123.41%	117.49%	82.93%	177.14%
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	0.3131%	0.3049%	0.2909%	0.2857%	0.2840%
Proportionate share of the net pension liability	$ 282,823,645	$ 280,214,268	$ 269,045,923	$ 231,073,623	$ 191,183,402
State's proportionate share of the net pension liability	154,299,180	160,435,774	159,165,295	131,546,092	101,114,944
Total	$ 437,122,825	$ 440,650,042	$ 428,211,218	$ 362,619,715	$ 292,298,346
Covered payroll	$ 171,494,355	$ 163,396,473	$ 155,545,167	$ 140,348,108	$ 128,281,509
Proportionate share of the net pension liability as a percentage of its covered payroll	164.92%	171.49%	172.97%	164.64%	149.03%
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

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.4436%	0.4542%	0.4651%	0.4711%	0.4624%
Proportionate share of the net pension liability	$ 158,552,140	$ 164,425,184	$ 160,040,295	$ 95,792,836	$ 141,870,575
Covered payroll	$ 87,599,007	$ 78,800,903	$ 71,224,644	$ 67,689,208	$ 66,540,956
Proportionate share of the net pension liability as a percentage of its covered payroll	181.00%	208.66%	224.70%	141.52%	213.21%
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	0.4522%	0.4454%	0.4313%	0.4092%	0.3913%
Proportionate share of the net pension liability	$ 131,801,247	$ 118,761,369	$ 102,965,515	$ 80,811,529	$ 57,679,362
Covered payroll	$ 62,625,551	$ 58,608,660	$ 54,936,838	$ 48,625,796	$ 43,001,436
Proportionate share of the net pension liability as a percentage of its covered payroll	210.46%	202.63%	187.43%	166.19%	134.13%
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

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	$ 47,130,931	$ 45,947,266	$ 41,654,345	$ 34,456,929	$ 29,760,401
Less contributions in relation to the contractually required contribution	47,130,931	45,947,266	41,654,345	34,456,929	29,760,401
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 246,758,801	$ 240,561,602	$ 218,085,576	$ 203,646,152	$ 184,274,929
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 30,690,716	$ 27,919,281	$ 23,578,111	$ 19,567,582	$ 15,059,352
Less contributions in relation to the contractually required contribution	30,690,716	27,919,281	23,578,111	19,567,582	15,059,352
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 179,477,871	$ 171,494,355	$ 163,396,473	$ 155,545,167	$ 140,348,108
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	$ 24,482,476	$ 23,371,415	$ 19,991,789	$ 16,317,566	$ 14,011,666
Less contributions in relation to the contractually required contribution	24,482,476	23,371,415	19,991,789	16,317,566	14,011,666
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 90,508,229	$ 87,599,007	$ 78,800,903	$ 71,224,644	$ 67,689,208
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 13,122,542	$ 11,311,427	$ 9,102,511	$ 7,629,628	$ 5,760,698
Less contributions in relation to the contractually required contribution	13,122,542	11,311,427	9,102,511	7,629,628	5,760,698
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 66,540,956	$ 62,625,551	$ 58,608,660	$ 54,936,838	$ 48,625,796
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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. In the future, as data becomes available, ten years of information will be presented.

- *Changes of Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The discount rate assumption was changed from 3.75% to 4.00% 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 plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes of 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 since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans from 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

Irvine Unified School District

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			
Passed through California Department of Education (CDE)			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ 7,412,027
Preschool Grants, Part B Section 619	84.173	13430	139,978
Preschool Staff Development, Part B, Section 619	84.173A	13431	1,918
Capacity Building, Part B, Sec 611	84.027A	13693	5,165
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	458,303
Alternative Dispute Resolution, Part B, Sec 611	84.173A	13007	15,157
Subtotal Special Education Cluster (IDEA)			8,032,548
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	5,071,979
Title II, Part A, Supporting Effective Instruction	84.367	14341	788,523
Title III, English Learner Student Program	84.365	14346	545,031
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	540,335
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	246,978
IDEA Early Intervention Grants	84.181	23761	28,621
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership Program	84.126A	10006	683,211
Total U.S. Department of Education			15,937,226
U.S. Department of Health and Human Services			
Passed through California Department of Education (CDE)			
Child Care and Development Fund (CCDF) Cluster			
COVID-19: ARP California State Preschool Program Rate Supplements	93.575	15641	75,254
Subtotal Child Care and Development Fund (CCDF) Cluster			75,254
Total U.S. Department of Health and Human Services			75,254
U.S. Department of Agriculture			
Passed through California Department of Education (CDE)			
Child Nutrition Cluster			
School Programs (NSL Sec 4)	10.555	13523	1,510,531
School Programs (NSL Sec 11)	10.555	13524	2,906,759
School Programs (School Breakfast Basic)	10.553	13525	1,914,906
School Programs (School Breakfast Needy)	10.553	13526	112,451
Supply Chain Assistance (SCA) Funds	10.555	15655	983,189
Commodities	10.555	13524	931,521
Subtotal Child Nutrition Cluster			8,359,357
Passed through California Department of Social Services			
Child Care Food Programs (CCFP) Claims - Centers and Family Day Care	10.558	13393	18,342
Total U.S. Department of Agriculture			8,377,699
Total Federal Financial Assistance			$ 24,390,179

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	10,378.75	10,401.25
Fourth through sixth	8,950.07	8,978.08
Seventh and eighth	5,866.30	5,877.46
Ninth through twelfth	11,218.12	11,169.80
Total Regular ADA	36,413.24	36,426.59
Extended Year Special Education		
Transitional kindergarten through third	16.48	16.48
Fourth through sixth	14.21	14.21
Seventh and eighth	5.84	5.84
Ninth through twelfth	18.02	18.02
Total Extended Year Special Education	54.55	54.55
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.96	2.19
Fourth through sixth	2.96	2.18
Seventh and eighth	2.96	2.18
Ninth through twelfth	29.27	34.46
Total Special Education, Nonpublic, Nonsectarian Schools	38.15	41.01
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.87	0.87
Fourth through sixth	0.87	0.87
Seventh and eighth	0.88	0.88
Ninth through twelfth	3.27	3.27
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	5.89	5.89
Total ADA	36,511.83	36,528.04

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar: Number of Actual Days	Traditional Calendar: Number of Days Credited Form J-13A	Traditional Calendar: Total Days Offered	Multitrack Calendar: Number of Actual Days	Multitrack Calendar: Number of Days Credited Form J-13A	Multitrack Calendar: Total Days Offered	Status
Kindergarten	36,000	36,000	-	36,000	180	-	180	180	-	180	Complied
Grades 1 - 3	50,400										
Grade 1		50,762	-	50,762	180	-	180	180	-	180	Complied
Grade 2		50,762	-	50,762	180	-	180	180	-	180	Complied
Grade 3		50,620	-	50,620	180	-	180	180	-	180	Complied
Grades 4 - 8	54,000										
Grade 4		56,192	-	56,192	180	-	180	180	-	180	Complied
Grade 5		56,192	-	56,192	180	-	180	180	-	180	Complied
Grade 6		56,192	-	56,192	180	-	180	180	-	180	Complied
Grade 7		56,055	-	56,055	180	-	180	180	-	180	Complied
Grade 8		56,055	-	56,055	180	-	180	180	-	180	Complied
Grades 9 - 12	64,800										
Grade 9		66,060	-	66,060	180	-	180	N/A	N/A	N/A	Complied
Grade 10		66,060	-	66,060	180	-	180	N/A	N/A	N/A	Complied
Grade 11		66,060	-	66,060	180	-	180	N/A	N/A	N/A	Complied
Grade 12		66,060	-	66,060	180	-	180	N/A	N/A	N/A	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

	(Budget) 2026 [1]	2025	2024 [1,3]	2023 [1,3]
General Fund				
Revenues	$ 612,792,136	$ 597,519,237	$ 595,402,623	$ 590,952,028
Other sources and transfers in	3,750,000	7,962,997	7,247,904	127,073
Total revenues and other sources	616,542,136	605,482,234	602,650,527	591,079,101
Expenditures	621,922,171	605,995,095	578,765,677	506,903,552
Other uses and transfers out	6,893,804	10,042,784	24,507,779	21,320,177
Total expenditures and other uses	628,815,975	616,037,879	603,273,456	528,223,729
Increase/(Decrease) in Fund Balance	(12,273,839)	(10,555,645)	(622,929)	62,855,372
Ending Fund Balance	$ 132,781,769	$ 145,055,608	$ 155,611,253	$ 156,234,182
Available Reserves [2]	$ 28,794,827	$ 18,354,743	$ 20,236,729	$ 19,032,465
Available Reserves as a Percentage of Total Outgo	4.58%	2.98%	3.35%	3.60%
Long-Term Liabilities	N/A	$ 810,087,412	$ 770,673,565	$ 667,220,874
K-12 Average Daily Attendance at P-2	36,854	36,512	36,244	34,951

The General Fund balance has decreased by $11,178,574 over the past two years. The fiscal year 2025-2026 budget projects a decrease of $12,273,839 (8.46%). For a district this size, the state recommends available reserves of at least two percent 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 $142,866,538 over the past two years.

Average daily attendance has increased by 1,561 over the past two years. Additional growth of 342 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] Amounts have not been restated for the effects of the implementation of GASB Statement No. 101.

Name of Charter School	Charter Number	Included in Audit Report
Irvine Chinese Immersion Academy	2140	No

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets					
Deposits and investments	$ 4,354,484	$ 425,173	$ 2,861,415	$ 31,964,977	$ 1,807,744
Receivables	-	1,376	12,649	5,877,350	6,356
Due from other funds	-	-	-	1,215,810	-
Prepaid expenditures	-	7,247	-	2,350	-
Stores inventories	-	-	-	181,856	-
Total assets	$ 4,354,484	$ 433,796	$ 2,874,064	$ 39,242,343	$ 1,814,100
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 12,965	$ 296,090	$ 1,488,593	$ 1,365,860
Due to other funds	-	15,340	51,796	269,915	-
Unearned revenue	-	-	482,924	537,040	-
Total liabilities	-	28,305	830,810	2,295,548	1,365,860
Fund Balances					
Nonspendable	-	7,247	-	184,206	-
Restricted	4,354,484	-	2,043,254	36,762,589	-
Committed	-	398,244	-	-	448,240
Total fund balances	4,354,484	405,491	2,043,254	36,946,795	448,240
Total liabilities and fund balances	$ 4,354,484	$ 433,796	$ 2,874,064	$ 39,242,343	$ 1,814,100

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	$ 15,313,553	$ 48,608,491	$ 8,131,374	$ 113,467,211
Receivables	51,045	161,060	62,666	6,172,502
Due from other funds	-	-	-	1,215,810
Prepaid expenditures	-	-	-	9,597
Stores inventories	-	-	-	181,856
Total assets	$ 15,364,598	$ 48,769,551	$ 8,194,040	$ 121,046,976
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 92,028	$ 3,163,672	$ -	$ 6,419,208
Due to other funds	1,651,228	33,617	-	2,021,896
Unearned revenue	-	-	-	1,019,964
Total liabilities	1,743,256	3,197,289	-	9,461,068
Fund Balances				
Nonspendable	-	-	-	191,453
Restricted	13,621,342	45,572,262	8,194,040	110,547,971
Committed	-	-	-	846,484
Total fund balances	13,621,342	45,572,262	8,194,040	111,585,908
Total liabilities and fund balances	$ 15,364,598	$ 48,769,551	$ 8,194,040	$ 121,046,976

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues					
Federal sources	$ -	$ -	$ 18,342	$ 7,376,168	$ -
Other State sources	-	622,092	2,164,500	17,546,986	-
Other local sources	7,074,407	16,587	361,502	2,099,668	86,521
Total revenues	7,074,407	638,679	2,544,344	27,022,822	86,521
Expenditures					
Current					
Instruction	-	287,163	1,485,242	-	-
Instruction-related activities					
Supervision of instruction	-	-	175,825	-	-
School site administration	-	127,497	279,633	-	-
Pupil services					
Food services	-	-	-	16,718,038	-
Administration					
All other administration	-	15,334	48,733	263,803	-
Plant services	-	51,413	19,524	-	3,597,053
Ancillary services	6,285,481	-	-	-	-
Facility acquisition and construction	-	-	194,912	3,006,345	1,186,214
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	6,285,481	481,407	2,203,869	19,988,186	4,783,267
Excess (Deficiency) of Revenues Over Expenditures	788,926	157,272	340,475	7,034,636	(4,696,746)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	3,650,000
Transfers out	-	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-	3,650,000
Net Change in Fund Balances	788,926	157,272	340,475	7,034,636	(1,046,746)
Fund Balance - Beginning	3,565,558	248,219	1,702,779	29,912,159	1,494,986
Fund Balance - Ending	$ 4,354,484	$ 405,491	$ 2,043,254	$ 36,946,795	$ 448,240

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues					
Federal sources	$ -	$ -	$ -	$ -	$ 7,394,510
Other State sources	-	-	39,309	-	20,372,887
Other local sources	5,353,883	2,612,729	10,690,075	4,517,950	32,813,322
Total revenues	5,353,883	2,612,729	10,729,384	4,517,950	60,580,719
Expenditures					
Current					
Instruction	-	-	-	-	1,772,405
Instruction-related activities					
Supervision of instruction	-	-	-	-	175,825
School site administration	-	-	-	-	407,130
Pupil services					
Food services	-	-	-	-	16,718,038
Administration					
All other administration	-	-	-	-	327,870
Plant services	399,003	709,715	-	-	4,776,708
Ancillary services	-	-	-	-	6,285,481
Facility acquisition and construction	2,469,403	12,132,096	-	-	18,988,970
Debt service					
Principal	-	-	4,000,000	2,250,000	6,250,000
Interest and other	-	-	8,143,988	2,267,950	10,411,938
Total expenditures	2,868,406	12,841,811	12,143,988	4,517,950	66,114,365
Excess (Deficiency) of Revenues Over Expenditures	2,485,477	(10,229,082)	(1,414,604)	-	(5,533,646)
Other Financing Sources (Uses)					
Transfers in	-	2,035,257	-	-	5,685,257
Transfers out	-	(2,967,847)	-	-	(2,967,847)
Net Financing Sources (Uses)	-	(932,590)	-	-	2,717,410
Net Change in Fund Balances	2,485,477	(11,161,672)	(1,414,604)	-	(2,816,236)
Fund Balance - Beginning	11,135,865	56,733,934	9,608,644	-	114,402,144
Fund Balance - Ending	$ 13,621,342	$ 45,572,262	$ 8,194,040	$ -	$ 111,585,908

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of Irvine Unified School District (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 did not report any commodities inventory.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Supply Chain Assistance (SCA) funds, Basic Local Assistance Entitlement, Part B, Sec 611 funds, Title III, English Learner Student Program funds, and COVID-19: ARP California State Preschool Program - Rate Supplements funds have been recorded in prior periods as revenues and were expended in the current year.

Description	Federal Financial Assistance Listing	Amount
Total Federal Revenues reported on the financial statements		$ 23,185,017
Supply Chain Assistance (SCA) Funds	10.555	983,189
Basic Local Assistance Entitlement, Part B, Section 611	84.027	80,125
Title III, English Learner Student Program	84.365	66,594
COVID-19: ARP California State Preschool Program - Rate Supplements	93.575	75,254
Total Federal Financial Assistance		$ 24,390,179

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 Unaudited Actual Financial Report 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.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

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

Irvine Unified School District

ORGANIZATION

The Irvine Unified School District was unified on July 1, 1972, 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 TK-12 as mandated by the State and/or Federal agencies. The District operates twenty-four elementary schools, four K-8 schools, six middle schools, five high schools, one continuation school, one virtual academy school, and one adult education center. The District is comprised of an area of approximately 62 square miles, located in Orange County. There were no boundary changes during the year.

BOARD OF EDUCATION

MEMBER	OFFICE	TERM EXPIRES
Katie McEwen	President	2026
Jeff Kim	Clerk	2026
Lauren Brooks	Member	2028
Connie Stone	Member	2028
Cyril Yu	Member	2028

ADMINISTRATION

NAME	TITLE
Cassie Parham	District Superintendent
John Fogarty	Assistant Superintendent, Business Services/CFO
Brianne Ford	Assistant Superintendent, Information Technology
Eamonn O’Donovan	Assistant Superintendent, Human Resources
Stan Machesky	Assistant Superintendent, Education Services

Independent Auditor's Reports
June 30, 2025

Irvine 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
Irvine Unified School District
Irvine, 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 Irvine 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 9, 2026.

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 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.

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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*.

We noted certain matters that we reported to management of the District on a separate letter dated January 9, 2026.

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.

Eide Bailly LLP

Ontario, California
January 9, 2026

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

To the Governing Board
Irvine Unified School District
Irvine, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Irvine 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 each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Irvine 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 programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 each 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.

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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 each 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.

Eide Bailly LLP

Ontario, California
January 9, 2026

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

To the Governing Board
Irvine Unified School District
Irvine, California

Report on Compliance

Opinion on State Compliance

We have audited Irvine 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, Irvine 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.

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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	N/A
GANN Limit Calculation	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
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	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Yes
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	N/A
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform testing for Independent Study because average daily attendance reported did not exceed the thresholds required for testing.

We did not perform testing for Continuation Education because average daily attendance reported did not exceed the threshold for testing.

The term “N/A” 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.

Eide Bailly LLP

Ontario, California
January 9, 2026

Schedule of Findings and Questioned Costs
June 30, 2025

Irvine 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 programs:	
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 programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Special Education Cluster (IDEA)	84.027, 84.027A, 84.173, 84.173A
Title II, Part A, Supporting Effective Instruction	84.367

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

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.

To Management and the Governing Board
Irvine Unified School District
Irvine, California

In planning and performing our audit of the financial statements of Irvine Unified School District (the District) for the year ended June 30, 2025, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 9, 2026, on the government-wide financial statements of the District.

Associated Study Body (ASB)

Northwood High School

Observation:

Based on review of disbursement procedures, it was noted that two of seven disbursements did not contain the three required signatures to approve the transaction as required by Education Code section 48933(b).

- Education Code section 48933(b): "The funds shall be expended subject to such procedure as may be established by the student body organization subject to the approval of each of the following three persons, which shall be obtained each time before any of the funds may be expended: an employee or official of the school district designated by the governing board, the certificated employee who is the designated adviser of the particular student body organization, and a representative of the particular student body organization."

Recommendation:

To ensure proper internal controls over ASB disbursements, we recommend the site should review Education Code section 48933(b) and the Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference. The manual explains that for an expenditure to be approved, there must be evidence of three signatures: an employee or official of the school district designated by the governing board, the certificated employee who is the designated adviser of the student body organization, and a representative of the student body organization.

We will review the status of the current year comments during our next audit engagement.

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We believe that the implementation of these recommendations will provide the District with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you at your convenience.

This communication is intended solely for the information and use of management, Governing Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Ontario, California
January 9, 2026

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APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF IRVINE AND THE COUNTY OF ORANGE

Set forth below is certain demographic information regarding the City of Irvine (the "City") and the County of Orange (the "County"). This information is provided for informational purposes only and general background. The information set forth herein has been obtained from third party sources believed to be reliable, but such information is not guaranteed by the School District as to accuracy or completeness. Neither the delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix C since the date of the Official Statement. The Bonds are not a debt of the City, the County, the State, or any of its political subdivisions, and none of the City, the County, the State nor any of its political subdivisions is liable thereon. The information and data within this Appendix C is the latest data available; however, the current state of the economy at City, County, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available to the School District.

General

The County is the third largest county in California and is located adjacent to the Pacific Ocean and the Counties of Los Angeles, San Bernardino, Riverside and San Diego. The County is located in the most heavily populated region of California, necessitating easy access to road, rail, air and sea transportation. The County is also a major Southern California tourist center with a large number of amusement parks and recreational and entertainment activities. The County's Pacific Coast shoreline includes five state beaches and parks, five Municipal beaches and five County beaches.

The County is a general law county and governed by a five-member Board of Supervisors, each of whom serves for four-year terms. The County provides a wide range of services to its residents, including police, medical and health services, senior citizen assistance, library services, judicial institutions (including support programs), airport service, roads, solid waste management, harbors, beaches and parks, life guard services and a variety of public assistance programs.

Population

The following table summarizes population estimates for the City of Irvine, the County and the State from 2021-2026.

POPULATION ESTIMATES
City of Irvine, County of Orange and the State of California
2021-2026[(1)]

Year	*City of Irvine*	*County of Orange*	*California*
2021	300,449	3,175,484	39,380,058
2022	308,949	3,158,984	39,159,480
2023	311,307	3,148,606	39,167,274
2024	315,545	3,169,815	39,446,835
2025	317,652	3,175,509	39,646,907
2026	317,744	3,163,696	39,592,978

(1) January 1 data.
Source: California State Department of Finance, Demographic Research Unit. Table 2: E-4 Population Estimates for Cities, Counties and State 2021-2026, with 2020 Benchmark.

Income

The following tables show the personal income and per capita income for the County, State of California and United States from 2020 through 2024.

PERSONAL INCOME
County of Orange, State of California, and United States
2020-2024

Year	*County of Orange*	*California*	*United States*
2020	$239,226,060	$2,770,488,779	$19,613,059,000
2021	258,628,044	3,019,215,724	21,484,168,000
2022	267,134,967	3,021,645,501	22,144,814,000
2023	282,269,399	3,182,779,295	23,577,208,000
2024	298,128,817	3,400,237,317	24,897,613,000

Note: Dollars in Thousands.
Source: U.S. Department of Commerce, Bureau of Economic Analysis. CAINC1 County personal income summary: personal income, population, per capita personal income (accessed Monday, August 17, 2026).

PER CAPITA PERSONAL INCOME[(1)]
County of Orange, State of California, and United States
2020-2024 [(1)]

Year	*County of Orange*	*California*	*United States*
2020	$75,080	$70,100	$59,151
2021	81,861	77,134	64,692
2022	84,577	77,196	66,298
2023	89,480	81,196	70,002
2024	94,034	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. CAINC1 County personal income summary: personal income, population, per capita personal income (accessed Monday, August 17, 2026).

Employment

The following table summarizes the labor force, employment and unemployment figures from 2020 to 2023 for the City of Irvine and from 2020 to 2025 for the County, the State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Irvine, County of Orange, State of California and the United States
2020-2025[1]

	Area	*Labor Force*	*Employment[2]*	*Unemployment[3]*	*Unemployment Rate[4]*
2020	City of Irvine	150,100	139,600	10,500	7.0%
	Orange County	1,575,300	1,436,000	139,300	8.8
	State of 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	City of Irvine	150,500	142,700	7,800	5.2%
	Orange County	1,572,800	1,479,100	93,700	6.0
	State of California	19,013,800	17,619,300	1,394,500	7.3
	United States	161,204,000	152,581,000	8,623,000	5.3
2022	City of Irvine	158,700	153,800	4,900	3.1%
	Orange County	1,596,300	1,545,200	51,200	3.2
	State of California	19,267,400	18,441,400	826,100	4.3
	United States	164,287,000	158,291,000	5,996,000	3.6
2023	City of Irvine	162,500	156,800	5,700	3.5%
	Orange County	1,612,200	1,556,000	56,100	3.5
	State of California	19,514,600	18,593,600	921,000	4.7
	United States	167,116,000	161,037,000	6,080,000	3.6
2024	City of Irvine[5]	--	--	--	--
	Orange County	1,627,500	1,563,900	63,600	3.9%
	State of California	19,692,800	18,650,700	1,042,200	5.3
	United States	168,106,000	161,346,000	6,761,000	4.0
2025	City of Irvine[5]	--	--	--	--
	Orange County	1,637,100	1,569,300	67,800	4.1%
	State of California	19,823,800	18,738,500	1,085,300	5.5
	United States	170,807,000	163,493,000	7,314,000	4.3

(1) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
(2) Includes persons involved in labor-management trade disputes.
(3) Includes all persons without jobs who are actively seeking work.
(4) The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.
(5) Data is currently not available.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2024 Benchmark for City data and March 2025 Benchmark for State of California data.

Industry

The following table summarizes employment figures by industry for the Anaheim-Santa Ana-Irvine Metropolitan Division ("MD"), which is located entirely within the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Santa Ana-Anaheim-Irvine MD
(County of Orange)
2021-2025

	2021	*2022*	*2023*	*2024*	*2025*
Farming	2,000	1,700	1,700	1,700	1,700
Mining and Logging	400	300	300	400	300
Construction	102,200	105,300	104,500	105,600	104,000
Manufacturing	149,800	155,400	156,600	154,900	149,800
Wholesale Trade	77,500	79,000	81,100	80,500	78,000
Retail Trade	143,400	145,500	145,800	144,700	143,600
Transportation, Warehousing and Utilities	31,100	33,800	35,700	35,600	35,100
Information	24,000	24,300	22,700	22,200	22,500
Financial Activities	117,100	112,300	103,700	103,900	103,400
Professional and Business Services	321,700	331,500	320,100	316,900	317,200
Education and Health Services	237,300	249,200	262,200	272,600	284,100
Leisure and Hospitality	180,400	217,900	229,800	234,200	236,000
Other Services	47,500	53,100	55,200	56,100	55,600
Government	155,700	158,200	159,800	162,700	159,000
Total:	1,589,800	1,667,700	1,679,200	1,691,900	1,690,300

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2025 Benchmark.

Largest Employers

The following table presents the largest employers in the County as of June 30, 2025.

LARGEST EMPLOYERS
County of Orange
2025

Name of Business	*Number of Employees*	*Type of Business*
Walt Disney Co.	36,000	Entertainment
University of California, Irvine	34,085	Education
Providence of Southern California	25,155	Healthcare
County of Orange	18,811	County Government
Kaiser Permanente	10,293	Healthcare
Hoag Memorial Hospital Presbyterian	8,081	Healthcare
Allied Universal	7,214	Private Security and Facility Services
Albertsons	7,152	Grocery Stores
MemorialCare	6,326	Healthcare
CHOC Hospital``	5,555	Healthcare

Source: County of Orange Comprehensive Annual Financial Report, Year Ended June 30, 2025.

Building Activity

The following tables summarize building permits and valuations for the County and City during calendar years 2020 through 2024.

BUILDING PERMITS AND VALUATIONS
County of Orange
2020-2024

	2020	*2021*	*2022*	*2023*	*2024*
Valuation (In $000's)					
Residential	$ 1,870,958	$ 2,393,961	$ 2,214,772	$ 2,607,287	$ 2,216,030
Nonresidential	1,984,321	1,825,076	1,928,312	2,000,918	1,841,283
Total Valuation[1]	$ 3,855,279	$ 4,219,036	$ 4,143,083	$ 4,608,205	$ 4,057,313
New Dwelling Units (#)					
Single-Family	2,863	3,292	2,929	1,555	1,434
Multi-Family	3,032	4,382	3,405	9,685	4,830
Total:	5,895	7,674	6,334	11,240	6,264

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Irvine
2020-2024

	2020	*2021*	*2022*	*2023*	*2024*
Valuation (In $000's)					
Residential	$ 569,339	$ 769,064	$ 488,986	$ 404,673	$ 1,085,473
Nonresidential	366,062	565,964	529,942	469,314	477,323
Total Valuation[1]	$ 935,401	$ 1,335,028	$ 1,018,928	$ 873,987	$ 1,562,736
New Dwelling Units (#)					
Single-Family	1,038	1,130	590	259	893
Multi-Family	1,004	1,236	918	2,792	3,094
Total:	2,042	2,366	1,508	3,051	3,987

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

Taxable Sales

The history of taxable transactions in the County and the City from 2021 through 2025 is shown in the following tables.

TAXABLE SALES
County of Orange
2021-2025
(in Thousands)

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2021	284,512	$53,650,590	500,880	$78,253,936
2022	272,714	58,099,122	484,486	88,027,071
2023	260,405	57,322,394	466,492	87,298,417
2024	261,943	56,820,318	469,515	86,337,413
2025	260,836	57,815,911	471,470	87,570,723

Source: "Taxable Sales in California (Sales & Use Tax)," California Department of Tax and Fee Administration (last updated August 7, 2026).

TAXABLE SALES
City of Irvine
2021-2025
(in Thousands)

Year	*Retail Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2021	22,487	$4,028,858	46,222	$6,268,119
2022	21,755	4,634,092	45,216	7,527,093
2023	21,157	4,977,342	44,318	8,126,299
2024	21,740	4,847,706	45,543	7,892,635
2025	22,230	5,224,898	46,725	7,943,848

Source: "Taxable Sales in California (Sales & Use Tax)," California Department of Tax and Fee Administration (last updated August 7, 2026).

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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

____________, 2026

Board of Education
Irvine Unified School District

Re: $____________ Bonds of School Facilities Improvement District No. 1
of the Irvine Unified School District
(General Obligation Bonds, 2016 Election, Series 2026E)

$_______________ Bonds of School Facilities Improvement District No. 1
of the Irvine Unified School District
(2026 General Obligation Refunding Bonds)

Dear Honorable Members of the Board of Education:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Irvine Unified School District (the "School District") taken in connection with the authorization and issuance of the Bonds of School Facilities Improvement District No. 1 of the Irvine Unified School District (General Obligation Bonds, 2016 Election, Series 2026E), in the aggregate principal amount of $____________ (the "Series E Bonds") and the Bonds of School Facilities Improvement District No. 1 of the Irvine Unified School District (2026 General Obligation Refunding Bonds), in the aggregate principal amount of $_______________ (the "2026 Refunding Bonds," collectively with the Series E Bonds, the "Bonds"), issued by the School District on behalf of the School Facilities Improvement District No. 1 of the Irvine Unified School District (the "Improvement District"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the School District, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Series E Bonds have been issued by the School District on behalf of the Improvement District pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, Chapters 1, 1.5 and 2 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California, a vote of the qualified electors of the Improvement District voting at an election held on June 7, 2016 and pursuant to a resolution adopted by the Board of Education of the School District on August 25, 2026 (the "Bond Resolution"). The 2026 Refunding Bonds have been issued by the School District on behalf of the Improvement District pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and the Bond Resolution.

The Bonds mature on the dates and in the amounts referenced in the Bond Resolution. The Bonds are dated their date of delivery and bear interest payable semiannually on each March 1 and September 1, commencing March 1, 2027, at the rates per annum referenced in the Bond Resolution. The Bonds are registered bonds as set forth in the Bond Resolution.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized and constitute the legal, valid and binding general obligation bonds of the School District issued on behalf of the Improvement District and are enforceable in accordance with the terms of the Bond Resolution, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California. The Bonds are obligations of the School District but are not a debt of the County of Orange (the "County"), the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the County, the State of California, or any such political subdivisions is pledged for the payment thereof.

(2) The Bond Resolution has been duly adopted by the Board of Education of the School District and constitutes the legal, valid and binding obligation of the School District. The Bond Resolution is enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California, provided, however, we express no opinion as to the enforceability of provisions of the Bond Resolution as to indemnification, penalty, contribution, choice of law, choice of forum or waiver contained therein.

(3) The Bonds are secured by and payable from the proceeds of *ad valorem* taxes levied upon taxable property in the Improvement District which the Board of Supervisors of the County has the power to levy and is obliged by statute to levy without limit as to rate or amount (except as to certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

(4) Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

(5) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

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

(7) The amount by which a Bond owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium which must be amortized under Section 171 of the Code; such

amortizable bond premium reduces the bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are subject to the condition that the School District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Bond Resolution and the Tax Certificate executed by the School District with respect to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax exempt obligations. We express no opinion as to the effect on exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Bonds if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth LLP.

The opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the School District with respect to the Bonds terminates upon the issuance of the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement or any supplements or updates thereto.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate"), dated ___________, 2026 is executed and delivered by the Irvine Unified School District (the "Issuer") in connection with the issuance and delivery of $_____________ Bonds of the School Facilities Improvement District No. 1 of the Irvine Unified School District (General Obligation Bonds, 2016 Election, Series 2026E), and School Facilities Improvement District No. 1 of the Irvine Unified School District (2026 General Obligation Refunding Bonds) (collectively, the "Bonds"). The Bonds are being issued pursuant to a resolution of the Issuer, acting on behalf of the School Facilities Improvement District No. 1 of the Irvine Unified School District (the "Improvement District"), adopted on __________, 2026 (the "Resolution").

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Disclosure Representative" shall mean the Superintendent or Assistant Superintendent, Business Services of the Issuer or either of their designees, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean, initially, Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Financial Obligation" shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule

"Participating Underwriter" shall mean _________________, as the original purchaser of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than nine months following the end of the Issuer's fiscal year (which shall be April 1 of each year, so long as the Issuer's fiscal year ends on June 30), commencing with the report for the fiscal year ending June 30, 2026, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Dissemination Agent (if other than the Issuer) of a change in the fiscal year dates. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If the Dissemination Agent is a person or entity other than the Issuer then, not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in a timely manner, in the form required by the MSRB.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) (i) The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended; (ii) the most recently adopted budget of the Issuer and, if required to be prepared and filed, the First Interim Report for the current fiscal year. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Material financial information and operating data with respect to the Issuer and the Improvement District of the type included in the Official Statement in the following categories (to the extent not included in the Issuer's audited financial statements):

(1) the Issuer's approved annual budget for the then-current fiscal year,

(2) assessed value of taxable property in the Improvement District as shown on the most recent equalized assessment roll,

(3) if the County of Orange no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections and delinquencies for the Improvement District for the most recently completed fiscal year, and

(4) top ten property owners in the Improvement District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value and their percentage of total secured assessed value, if material.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, or their failure to perform;

(5) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determinations of taxability or of the Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) ratings changes; and

(9) bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (9), 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.

(10) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) unless described in paragraph 5(a)(5), 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 Bonds;

(2) 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;

(3) appointment of a successor or additional trustee or the change of the name of a trustee;

(4) nonpayment related defaults;

(5) modifications to the rights of Owners of the Bonds;

(6) notices of redemption; and

(7) release, substitution or sale of property securing repayment of the Bonds.

(8) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (b), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsection (b)(6) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Applied Best Practices. The Dissemination Agent may resign by providing thirty days written notice to the Issuer and the Paying Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment. (a) This Disclosure Certificate may be amended, in writing, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Certificate may be amended in writing with respect to the Bonds, upon obtaining consent of Owners at least 25% in aggregate principal of the Bonds then outstanding; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Participating Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Certificate. In the event of a failure of the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. If the Dissemination Agent is a person or entity other than the Issuer, this Section 11 shall apply. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owner's, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this

Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: Assistant Superintendent, Business Services
Irvine Unified School District
5050 Barranca Parkway
Irvine, California 92604

IRVINE UNIFIED SCHOOL DISTRICT

By: ______________________________
Assistant Superintendent, Business Services

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other 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.

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

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

7. 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 School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

9. A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX G

ORANGE COUNTY, CALIFORNIA INVESTMENT POLICY

Orange County California

Investment Policy

Approved By the Board of Supervisors

December 16, 2025

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ORANGE COUNTY
INVESTMENT POLICY

PURPOSE

The Orange County Investment Policy ("Policy") provides the structure for the prudent investment of the funds of the County of Orange ("County") and the funds of other depositors in the County treasury.

I. POLICY STATEMENT

The Policy is prepared in accordance with California State law and based on prudent money management practices. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (OCIF), which includes all cash balances deposited into the Treasury, is designed to meet both the investment and cash requirements of our participants.

II. SCOPE

This Policy governs the investment of funds deposited into the County treasury. This Policy is more restrictive than State law in certain areas. Funds from bond proceeds may be invested in accordance with Government Code section 53601(m), which authorizes investment in accordance with the statutory provisions governing the issuance of the bonds, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the approved documents providing for the issuance.

1. **Pooled Funds:**
The County will maintain a pooled investment fund. The pooled fund's name is the Orange County Treasury Pool (OCTP). Government Code Sections 53600 *et seq.*, 53630 *et seq.* and 27000.3 guide the investment requirements of the OCTP, and, if applicable, the OCTP may be a permitted investment for bond proceeds.

2. **Specific Investment Accounts:**
The County or a participant that deposits funds in the County treasury may request a specific investment account to invest funds pursuant to a specific investment objective. Such investments may include cash required for future long-term needs. All new specific investment accounts require the written approval of the County Investment Manager, as defined in Section IV (Investment Authority). If approved, the investments will be matched to the time-horizon for their future use or to an identified liability. The County or the governing body of any participating agencies will be required to sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early.

   In addition, no investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years, unless the appropriate legislative body has granted express authority either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment.

III. PRUDENT INVESTOR STANDARD

The Board of Supervisors, as a fiduciary of public funds adheres to the "prudent investor" standard as stated in Government Code sections 27000.3 and 53600.3. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Board of Supervisors shall act with care, skill, prudence and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Board of Supervisors and those delegated staff shall act in accordance with written procedures and the Policy, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. INVESTMENT AUTHORITY

The authority to invest the funds of the County and the funds of other depositors in the County Treasury rests with the Board of Supervisors. The Board may delegate its investment authority as it determines appropriate. Throughout this Policy, the "County Investment Manager" shall be defined as the County official or individual who is authorized by the Board to invest the funds of the County and the funds of other depositors in the County treasury.

V. OBJECTIVES

The primary investment objectives, presented in their absolute order of priority, are:

1. **SAFETY**
   Safety of principal is the foremost investment objective. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital.

   The County Investment Manager shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

   a) **Credit Risk:** Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

   b) **Market Risk:** Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum duration for OCTP. Occasional market losses on individual securities may occur with portfolio management and they must be considered within the context of the overall investment return.

2. **LIQUIDITY**
Liquidity refers to the ability to sell an investment at any moment with a minimal chance of principal loss. OCIF will maintain sufficient liquidity for the purpose of meeting all daily operating requirements based on reasonably anticipated cash flow needs.

3. **YIELD**
Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic cycles. Although the County Investment Manager may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. As noted in Government Code Section 53601.6, securities issued by, or backed by, the United States government can result in zero or negative interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates.

MARK-TO-MARKET

The OCTP and Specific Investment Accounts investments are marked to market daily. The OCTP will attempt to maintain a $1.00 net asset value (NAV) to the extent reasonably possible and consistent with the Board of Supervisors' trust and fiduciary duty. If the ratio of the market value of OCTP divided by the book value of OCTP is less than $.9975, then the variance will be reported as well as any expected impact on the OCTP's ability to meet forecasted cash outflows. In addition, the County Investment Manager may decide to sell holdings as necessary to maintain the OCTP's NAV above $.9975. However, the OCTP $1.00 NAV is not guaranteed or insured by the Board of Supervisors nor is OCTP registered with the Securities Exchange Commission (SEC).

The County Investment Manager will provide the NAV of OCTP and each Specific Investment Account in the investment report.

VI. AUTHORIZED INVESTMENTS

The County is authorized to invest in specific types of securities as provided in the Government Code. Investments not specifically listed below are prohibited. All securities must be United States dollar denominated. All investment transactions must be executed through broker-dealers, banks, or counterparties authorized by the County Investment Manager. In addition, comprehensive due diligence must be conducted on all securities prior to investment, followed by at least an annual review to ensure that the investment's outlook remains favorable and has not deteriorated.

The OCTP and Specific Investment Accounts may invest in the following areas to the extent they are consistent with the investment objectives, do not violate the investment restrictions, and adhere to limitations specified in this section, and Sections VII and VIII.

1. **U. S. TREASURY SECURITIES**
United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. **U. S. GOVERNMENT AGENCY SECURITIES**
Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). There is no limit on the percentage of OCTP that can be invested in this category including no issuer limit.

3. **COMMERCIAL PAPER**
Commercial Paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization ("NRSRO"). The entity that issues the commercial paper shall meet either of the following conditions in paragraph (a) or paragraph (b):

   a) Has total assets in excess of five hundred million dollars ($500,000,000), is organized and operating within the United States as a general corporation and has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

   b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

4. **NEGOTIABLE CERTIFICATES OF DEPOSIT**
Negotiable certificates of deposit issued by a nationally or state-chartered bank, savings association, or a federal association (as defined by Section 5102 of the California Financial Code), or by a federally licensed or state-licensed branch of a foreign bank.

5. **REPURCHASE AGREEMENTS**
Investments in repurchase agreements for the purpose of this Policy means a purchase of securities by the County Investment Manager pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the County by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year and have capital of not less than $500,000,000. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The County will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

Collateralization:

In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities 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 frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall comply with the market value requirement if the value of the underlying securities is brought back up to 102% no later than the next business day.

Collateral will be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.1. Collateral will be held by an independent third party with whom the County Investment Manager has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the County and retained. No collateral substitutions may be made without prior approval of the County Investment Manager.

Agreements are subject to Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. **BANKERS' ACCEPTANCES**
Bankers' acceptances, also known as time drafts or bills of exchange that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity.

7. **MONEY MARKET MUTUAL FUNDS**
Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV) are prohibited. Approved money market mutual funds shall meet either of the following criteria:

   a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

   b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000.

   c) Money market mutual funds will not exceed 20 percent of the agency's moneys. No more than 10 percent of the agency's moneys may be invested in shares of beneficial interest of any one mutual fund. For specific investment accounts, this constraint will apply to the agency's total balances in both OCTP and the specific investment account (s).

8. **STATE POOL – LOCAL AGENCY INVESTMENT FUND**
The County Investment Manager may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under Government Code Section 16429.1. LAIF has no final stated maturity and will be reported as a one-day maturity.

9. **MUNICIPAL DEBT**
Such instruments are defined as being issued by a local or state agency, including:

   a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

   b) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.

   c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

10. **MEDIUM-TERM NOTES**
Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years, as limited by this policy. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

11. **INVESTMENT POOLS**
Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7, which invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The County Investment Manager shall be required to investigate all local government investment pools prior to investing. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

12. **SUPRANATIONAL SECURITIES**
Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States.

VII. INVESTMENT CREDIT RATING RESTRICTIONS

For OCTP and Specific Investment Accounts, credit ratings will be applied at the time of purchase of a security and monitored for changes while owned. A downgrade subsequent to purchase in a security's credit rating will not constitute a violation of the Policy. When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, an analysis must be performed to evaluate the credit to determine whether to hold or sell the security. The credit ratings referenced in this policy must be assigned by one of the following NRSROs: Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch).

All investments, except those noted below in a) and b): 1) must have the minimum ratings required below by at least two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required in the table below:

NRSRO	Short-Term	Long-Term
S&P	A-1	AA
Moody's	P-1/MIG 1/VMIG 1	Aa
Fitch	F-1	AA

If an issuer of Long-term debt has a Short-term debt rating, then the Long-Term rating may not be less than the minimum required Short-term debt ratings in the table above.

Any issuer, and all related entities, that have been placed on "Credit Watch-Negative" or downgraded by a NRSRO will be placed on hold and current holdings reviewed for possible sale unless the following criteria are met and are also approved in writing by the County Investment Manager prior to purchase:

The issuer has:

(a) an A-1+ or F1+ short-term rating; and

(b) at least an AA or Aa2 or higher long-term rating from each of the NRSROs that rate the issuer.

Exceptions to the Rating Policy above:

a) Municipal debt issued by the County of Orange, California (as defined in Section VI.9), U.S. Government obligations (as defined in Section VI.1 and VI.2) and State Pool (as defined in Section VI.8), are exempt from the credit rating requirements listed above.
b) Money Market Mutual funds satisfying the requirements of Section VI.7 and Investment Pools (as defined in Section VI.11) require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO.

VIII. INVESTMENT TYPE, DIVERSIFICATION, MATURITY AND DURATION RESTRICTIONS

It is best practice to diversify the OCTP and Specific Investment Accounts. Investments diversification is required to minimize the risk of loss resulting from assets off a specific maturity, issuer or a specific class of securities. The diversification strategies shall be established by the County Investment Manager and periodically reviewed.

1. ISSUER CONCENTRATION

Only debt of issuers listed on the Approved Issuer List may be purchased. The following diversification limits will also apply at the time of purchase of a security.

Investment Type	California Government Code			The Policy		
	Investment Limit	Issuer Limit	Max Maturity	Investment Limit	Issuer Limit	Max Maturity
U.S. Treasury Securities	100%	None	5 Years	100%	None	5 Years
U.S. Government Agency Securities (GSE's)	100%	None	5 Years	100%	None	5 Years
Municipal Debt	100%	None	5 Years	20%	5% except OC at 10%	3 Years
Medium-Term Notes	30%	None	5 Years	20%	5%	5 Years
Bankers Acceptances	40%,	30%	180 Days	40%	5%	180 Days
Commercial Paper	40%,	10%	397 Days	40%	5%	397 Days
Negotiable Certificates of Deposits	30%	None	5 Years	20%	5%	18 months
State of California Local Agency Investment Fund	$75 million per account	N/A	N/A	$75 million per account	N/A	N/A
Repurchase Agreements	100%	None	1 Year	20%	10%	180 Days
Money Market Mutual Funds (MMMF)	20% of total agency funds	10% of total agency funds	N/A	20% (same)	10% (same)	N/A
Joint Power Authority Investment Pools (JPA)	100%	None	N/A	20%	10%	N/A
Supranationals	30%	None	5 Years	30%	5%	5 Years

2. **MATURITY**
   a) The maximum maturity of any investment purchased will be five years with the exception of Specific Investment Accounts and any investment in the OCTP that is expressly authorized by the Board of Supervisors or the appropriate legislative body to be invested in longer than five-year maturities. The settlement date will be used as the date of purchase for measuring maturity limitations.
   b) For calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

3. **DURATION**

   The OCTP shall have a maximum duration of 3 years. There are no duration requirements for the Specific Investment Accounts.

IX. PROHIBITED TRANSACTIONS

All permitted investments shall conform in all respects with this Policy and applicable provisions of the Government Code, as may be amended from time to time. Investments prohibited by the Government Code are not permitted.

The County Investment Manager must approve in writing as soon as possible any investment transactions that violates a credit risk criterion or an allocation limitation. Thereafter, action shall be taken by the County Investment Manager to correct such matter as soon as practical. If an investment is in compliance at the time of purchase, a subsequent violation resulting from a change in market values will not constitute a violation of that restriction.

1. The following transactions are prohibited:
   a) Borrowing for investment purposes ("Leverage").

   b) Reverse Repurchase Agreements, as defined by Government Code Section 53601(j)(3) and (j)(4).

   c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

      Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, or SOFR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds or callable securities that otherwise meet the quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

   d) Structured Investment Vehicles (SIV).

   e) Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

   f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

X. ETHICS AND CONFLICT OF INTEREST

The County Investment Manager and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The County Investment Manager and investment personnel shall disclose to the applicable oversight body any material financial interests in financial institutions, broker dealers, and vendors ("Outside Entities") that conduct business with the County of Orange and shall disclose any material financial investment positions in such Outside Entities.

1. STATEMENT OF ECONOMIC INTEREST FORM 700

County officers, public officials and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County's Conflict-of-Interest Code.

2. COUNTY'S GIFT BAN ORDINANCE – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.

The County's Gift Ban Ordinance prohibits the receipt of specified gifts to the County officers, public officials and "designated employees" from business entities and individuals that "do business with the County" as that term is defined in the Ordinance. Under the Ordinance, the term "designated employee" includes every employee of the County who is designated in the County's Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. The County Investment Manager will review this list of "designated employees" periodically and submit any proposed changes to the Board of Supervisors for approval.

XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The County Investment Manager will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a "well capitalized" national bank or Federal savings association as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Government Code sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section.

Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Any broker, brokerage, dealer, or securities firm that contributed to the County Investment Manager, Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48-month period, are prohibited from selection onto the list of authorized security broker/dealers.

The County Investment Manager shall conduct an annual review of each broker/dealer and financial institution's financial condition and registrations to determine whether it should remain on the approved broker/dealer list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The County Investment Manager shall strive to open an application period every two years for all new broker/dealers and financial institutions submitting a questionnaire or being reviewed if an existing broker/dealer to determine if they should be added to or removed from the approved broker/dealer list. This detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services.

The County Investment Manager shall annually send a copy of the current Policy to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the County Investment Manager in writing of receipt and that they have received it.

XII. PERFORMANCE EVALUATION

The County Investment Manager shall either coordinate with the Treasurer, or submit its own investment report to the pool participants, the County Executive Officer, the Director of Internal Audit, the Auditor-Controller and the Board of Supervisors. The investment reports shall be issued no less frequently than within 45 days of the end of the quarter.

The investment report shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held, and shall additionally include a description of any of the funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to securities held by the County Investment Manager, and under management any outside party that is not a local agency or LAIF, the report shall also include a current market value as of the date of the report and shall include the source of the valuation. The report shall also state compliance of the portfolio to the Policy, or the manner in which the portfolio is not in compliance. The investment report shall include a statement denoting the ability of the local agency to meet its pool expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may not be available.

The County Investment Manager shall provide financial information on investments for disclosure in the County's ACFR, in accordance with GASB Statements 31, 40, 72 and 84. In addition, the County Investment Manager shall either coordinate with the Treasurer, or submit its own report on monthly investment transactions to the Board of Supervisors.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the County Investment Manager shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCTP or the Specific Investment Account name as its registered owner except, if applicable, for municipal debt issued by the County of Orange through a private placement, in which case the name of the registered owner shall be determined by written agreement between the parties.

All securities shall be held by a third-party custodian designated by the Treasurer or applicable County officer (this does not apply to money market funds or investment pools). The third-party custodian shall be required to issue a safekeeping statement to the Treasurer or applicable County officer listing the specific instrument, rate, maturity, and other pertinent information.

XIV. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The County Investment Manager shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the County Investment Manager. All agreements, statements, and investment trade packets will be subject to review annually by auditors in conjunction with their audit. The County Investment Manager shall evaluate audit reports in a timely manner with any applicable oversight body. Daily compliance of the investment portfolio shall be performed by the applicable County department. Compliance will be determined on a fair market value basis. Except for emergencies or previous authorization by the County Investment Manager, all investment transactions are to be entered daily into the appropriate Investment Accounting System.

1. INVESTMENT PROCEDURES

The County Investment Manager shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this Policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

The County Investment Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate investment related activities. No investment personnel may engage in an investment transaction except as provided under terms of this Policy and the procedures established by the County Investment Manager.

XVI. EARNINGS AND COSTS APPORTIONMENT

The County Investment Manager determines the interest earnings for the OCTP and then allocates them to each individual pool participant based upon their average daily balance.

Any authorized officer who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income, as authorized by Government Code Section 27013. Such cost reimbursement shall be paid into the county general fund. In addition, if applicable, the costs of compliance with Government Code section 27130, *et seq.* shall be included as an eligible administrative cost. The County Investment Manager shall annually prepare a proposed budget revenue estimate and estimated basis fee charge of this investment administrative fee charged in accordance with Government Code Section 27013. The County Investment Manager must annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings, including any gains or losses, less the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. The applicable investment report will state the current estimated investment administrative fee charged to participants.

XVII. PERFORMANCE STANDARDS

The investment strategy is to manage the portfolios with less risk than a comparable benchmark index while using economies of scale to administer the program at a reasonable cost. The County Investment Manager shall determine whether market yields are achieved using the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, the local government investment pool index or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

The County Investment Manager's investment strategy is to hold purchased securities until maturity. Changing economic conditions, interest rates, and credit quality may dictate a sale in advance to minimize market and credit risks or enhance yield. Such sales should consider the short- and long-term impact on the portfolio. The County Investment Manager must approve in advance the sale of all securities prior to maturity.

XVIII. INVESTMENT POLICY REVIEW

This Policy shall be reviewed on an annual basis by the County Investment Manager and any applicable oversight body. The Policy shall be submitted annually to the Board as a receive and file item as part of the County's Strategic Financial Plan. However, any changes to the Policy shall be presented for review and approval by the Board of Supervisors.

XIX. FINANCIAL REPORTING

All applicable investment reports and all investment compliance Audit Reports shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Internal Audit, the Auditor-Controller, any applicable oversight body, and the presiding judge of the Superior Court. All reports filed by the County Investment Manager shall, among other matters, state compliance of the portfolio with the Policy, or the manner in which the portfolio is not in compliance. A statement will also be filed by the denoting the ability of OCTP to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XX. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Policy will, upon effectiveness, be incorporated into this Policy and supersede any and all previous applicable language.

XXI. DISASTER RECOVERY PROGRAM

The Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. The Disaster Plan is distributed to key County and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable. In the event the County Investment Manager or authorized staff is unable to invest the portfolio, the Treasurer, or applicable County officer, has an agreement with the custodian for a daily sweep of uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the County Investment Manager's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Policy and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

XXII. INVESTMENT POLICY GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy. The definitions included herein do not modify any of the terms of this Investment Policy or applicable law.

ACCREDITED INVESTOR: Defined in the Code of Federal Regulations (CFR) 230.501 (a)(9) as any entity, including a government body that owns "investments", as defined in the CFR 270.2A51 - 1(b)(7)(i), such as cash and cash equivalents, for investment purposes under the Investment Company Act in excess of $5 million.

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

AGENCY SECURITIES: (See U.S. Government Agency Securities)

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): (See Receivable-Backed Securities)

BANKERS' ACCEPTANCE (BA): Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALLABLE BONDS: Bonds that may be redeemed by the issuing company prior to the maturity date.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK: The risk to a bondholder that a bond may be redeemed prior to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

COUNTY INVESTMENT MANAGER: The County official or individual authorized by the Board of Supervisors to invest the funds of the County and the funds of other depositors in the County treasury.

CERTIFICATE OF DEPOSIT (CD or NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 397 days or less.

CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)

CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

CREDIT OUTLOOK: (See Rating Outlook)

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organizations.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CREDIT WATCH: indicates that a company's credit is under review and credit ratings are subject to change.

*+ (positive) Credit is under review for possible upgrade.

*- (negative) Credit is under review for possible downgrade.

* Credit is under review, direction uncertain.

COUPON: The rate at which a bond pays interest.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FEDERAL FUNDS RATE: Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system, which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FITCH, INC: (see Nationally Recognized Statistical Rating Organization)

FIXED-INCOME SECURITIES: Securities that return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, Secured Overnight Financing Rate (SOFR), etc.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTROLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT COMPANY ACT OF 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARK-TO-MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five- year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; and Fitch, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON-CALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

QUALIFIED INSTITUTIONAL BUYER (QIB): Defined in CFR Section 230.144A as a class of investors that can be conclusively assumed to be sophisticated and in little need of the protection afforded by the Securities Act's registration provisions. They must own and invest on a discretionary basis at least $100 million in securities of issuers that are not affiliated with the QIB to qualify for qualified institutional buyer status. This includes any institutional investors included in the accredited investor definition, provided they satisfy the $100 million threshold.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REFUNDED BOND: A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR'S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE (SIV): A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

SUPRANATIONAL: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price appreciation) + (Dividends paid) + (Capital gains) = Total Return

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB) and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury i ssues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.
>
> **Treasury bonds:** interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

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APPENDIX H

ORANGE COUNTY, CALIFORNIA TREASURY POOL

Under California Government Code Section (CGC) 53601, effective January 1, 2025, the Board of Supervisors became the named fiduciary subject to the prudent investor standard and retained the authority to invest or reinvest the funds of the county and the funds of the Educational Districts in the County Treasury.

The primary goal of the Orange County Treasury Pool is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. The main investing objectives, in order of priority are: Safety, Liquidity and Yield.

The Orange County Auditor-Controller Internal Audit Division, along with an outside auditor, conducts quarterly audits of the Orange County Treasury pursuant to CGC 26920(a). In addition, an annual audit, as required by CGC 26920(b) and CGC 27134 is performed by an outside auditor. All investment audit reports and the monthly investment reports are available online at ceo.oc.gov/finance-office/county-investment-fund. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement).

The District's funds held by the County Treasury are invested in the Orange County Treasury Pool, which pools all of the public funds from the County and the Educational Districts. Neither the District nor the Underwriter has made an independent investigation of the investments in the Orange County Treasury Pool. The value of the various investments in the Orange County Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. As of April 14, 2026, Fitch Ratings, LLC has affirmed the Orange County Treasury Pool at AAA for credit risk and S1 for market risk sensitivity.