

NEW ISSUE – BOOK ENTRY ONLY

RATING:
Moody's: "Aa3"
(See "RATING" herein.)

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



\$100,000,000*
SANTA ANA UNIFIED SCHOOL DISTRICT
(ORANGE COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
2024 ELECTION, 2026 SERIES A

Dated: Date of Delivery

Due: August 1, as shown on inside cover page.

The Santa Ana Unified School District (Orange County, California) General Obligation Bonds, 2024 Election, 2026 Series A (the "Bonds") are being issued by the Santa Ana Unified School District (the "District") to (i) finance the acquisition, construction, furnishing and equipping of District facilities, as more fully described herein under the caption "THE PROJECTS" and (ii) pay certain costs of issuance associated therewith. The Bonds were authorized at an election within the District held on November 5, 2024 (the "Election"), at which more than 55% of the requisite qualified voters of the District voting on the proposition voted to authorize the issuance and sale of \$355,000,000 aggregate principal amount of general obligation bonds of the District (the "2024 Authorization"). The Bonds are the first series of general obligation bonds issued under the 2024 Authorization.

The Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof.

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

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2027. See "THE BONDS" herein.

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

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

MATURITY SCHEDULE
 On Inside Cover Page

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

The Bonds will be sold to the Underwriter (defined herein) by competitive sale pursuant to the terms of an Official Notice of Sale dated November 5, 2026 for the Bonds. See "METHOD OF SALE" herein.

The Bonds will be offered when, as and if issued and received by the Underwriter (as defined herein) subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about December 1, 2026.

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

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$100,000,000*
SANTA ANA UNIFIED SCHOOL DISTRICT
(ORANGE COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, 2024 ELECTION, 2026 SERIES A

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP [†] (801155)
2027	\$9,985,000			
2028	7,580,000			
2029	--			
2030	--			
2031	--			
2032	--			
2033	--			
2034	--			
2035	--			
2036	--			
2037	150,000			
2038	550,000			
2039	900,000			
2040	1,465,000			
2041	1,740,000			
2042	2,035,000			
2043	2,355,000			
2044	2,700,000			
2045	3,070,000			
2046	3,470,000			
2047	3,895,000			
2048	4,355,000			
2049	4,845,000			
2050	5,370,000			
2051	5,935,000			
2052	6,540,000			
2053	7,185,000			
2054	7,875,000			
2055	8,610,000			
2056	9,390,000			

\$ _____ % Term Bonds due August 1, 20__ ; Yield ____ % CUSIP 801155

* Preliminary; subject to change.

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SANTA ANA UNIFIED SCHOOL DISTRICT
Orange County, State of California

Board of Education

Katelyn Brazer Aceves, *President*
Hector Bustos, *Vice President*
Alfonso Alvarez, Ed.D., *Clerk*
Brenda Lebsack, *Member*
Valerie Magdaleno, *Member*

District Administrators

Lorraine M. Perez, Ed.D., *Superintendent of Schools*
Ron Hacker, *Associate Superintendent/Chief Business Official, Business Services*
Jennifer A. Flores, *Associate Superintendent, Human Resources*
Bianca Barquin, *Assistant Superintendent, Teaching and Learning*
Edward Bustamante, *Assistant Superintendent, Student Services*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Municipal Advisor

Keygent LLC
El Segundo, California

Paying Agent, Transfer Agent and Registration Agent

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

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

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

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

The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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

\$100,000,000*
SANTA ANA UNIFIED SCHOOL DISTRICT
(ORANGE COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
2024 ELECTION, 2026 SERIES A

INTRODUCTION

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

General

The Santa Ana Unified School District (the “District”) proposes to issue \$100,000,000* aggregate principal amount of its General Obligation Bonds, 2024 Election, 2026 Series A (the “Bonds”) under and pursuant to a bond authorization (the “2024 Authorization”) for the issuance and sale of not more than \$355,000,000 of general obligation bonds approved by more than 55% of the requisite qualified voters of the District voting on the proposition at a general election held on November 5, 2024 (the “Election”). The Bonds are the first series of bonds to be issued pursuant to the 2024 Authorization. Subsequent to the issuance of the Bonds, \$255,000,000* aggregate principal amount of general obligation bonds will remain for issuance pursuant to the 2024 Authorization.

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

The Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof.

Registration

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

The District

The District, established in 1888, is comprised of 24 square miles located in northern Orange County (the “County”). The District serves the residents in portions of the Cities of Santa Ana, Irvine, Newport Beach, Costa Mesa, Orange, Tustin and adjacent unincorporated areas of the County and provides education services in twenty-six elementary schools, nine TK-8 schools, six intermediate schools and eight high schools. In addition, the District includes four educational options secondary schools, a deaf and hard of hearing center for grades K-6, one early childhood education center, one child development center, and

* Preliminary; subject to change.

one virtual academy remote learning school. The District also operates one charter school and authorizes four independent charter schools to operate within the boundaries of the District. See “SANTA ANA UNIFIED SCHOOL DISTRICT - Charter Schools” for additional information regarding charter school operations within the District. The average daily attendance (“ADA”) for the District for fiscal year 2026-27 as of the 2026-27 adopted budget is 29,334.97 students and the District has a 2026-27 assessed valuation of \$47,204,920,209. The audited financial statements for the District for the fiscal year ended June 30, 2025 are attached hereto as APPENDIX B. For further information concerning the District, see “SANTA ANA UNIFIED SCHOOL DISTRICT” herein.

The District is governed by a five-member Board of Education (the “Board”), each member of which is elected by trustee areas to a four-year term. Elections for positions on the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent who is appointed by the Board and who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. See “SANTA ANA UNIFIED SCHOOL DISTRICT – Board of Education” and “– Key Personnel” herein.

The District’s audited financial statements for the fiscal year ended June 30, 2025 are attached hereto as APPENDIX B. For further information concerning the District, see the caption “SANTA ANA UNIFIED SCHOOL DISTRICT” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Bonds are not payable from the General Fund of the District. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

Continuing Disclosure

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

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel to the District with respect to the Bonds. Dannis Woliver Kelley, Long Beach, California is also acting as Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El Segundo, California, is acting as Municipal Advisor to the District in connection with the issuance of the Bonds. Dannis Woliver Kelley and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such

forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December 1, 2026.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the “Government Code”) (commencing with Section 53506), applicable provisions of the Education Code of the State (the “Education Code”) and pursuant to a resolution of the Board of Education of the District (the “Board”) adopted on September 22, 2026 (the “Resolution”).

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the Election, which includes repairing and upgrading classrooms, science labs, school facilities, and instructional technology for college and career readiness in math, science, technology, engineering, arts, and skilled trades; making health and safety upgrades; removing asbestos and lead; and fixing roofs, plumbing, and electrical systems. See “THE PROJECTS” herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount or integral multiples thereof. The Bonds will mature on the dates and in the amounts and bear interest at the rates per annum, all as set forth on the inside cover page of this Official Statement.

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

Book-Entry Only System

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

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

Payment of the Bonds

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

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the “Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered prior to the close of business on January 15, 2027, in which event interest shall be payable from its Dated Date; or (ii) it is registered after a Record Date and on or before the following Interest Payment Date, in which event interest shall be payable from such Interest Payment Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 2036 are not subject to optional redemption prior to maturity. The Bonds maturing on or after August 1, 2037 may be redeemed before maturity at the option of the District, in whole or in part, from any source of available funds, on any date on or after August 1, 2036 at a redemption price equal to the par amount to be redeemed, plus accrued interest to the date of redemption, without premium.

* Preliminary; subject to change.

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

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
(1)	
<hr/>	
(1) Maturity.	

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

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, 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 such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

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

For purposes of defeasance of Bonds in accordance with the Resolution, the District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent, selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue

thereon and available monies then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Continuing Disclosure Agreement

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

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
[Net] Original Issue Premium
Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Interest and Sinking Fund
Costs of Issuance⁽¹⁾
Total Uses

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

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District Investments; Application of Proceeds

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

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

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

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DEBT SERVICE SCHEDULE

The following table summarizes the annual principal and interest payments on the Bonds.

Bond Year Ending August 1	Principal	Interest	Total Debt Service
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Total

The table on the following page shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the 2019 General Obligation Refunding Bonds (the "2019 Refunding Bonds"), the 2022 General Obligation Refunding Bonds (the "2022 Refunding Bonds"), the General Obligation Bonds, Election of 1999, Series 2002B (the "Series 2002B Bonds" and, together with the 2019 Refunding Bonds and the 2022 Refunding Bonds, the "1999 Authorization Bonds"), the Election of 2008 General Obligation Bonds, Series B (the "2008 Series B Bonds"), the Election of 2008 General Obligation Bonds, Series C (Qualified School Construction Bonds) (the "2008 Series C Bonds"), the Election of 2008 General Obligation Bonds, Series E (Federally Taxable Direct-Pay - Build America Bonds) (the "2008 Series E Bonds"), the Election of 2008 General Obligation Bonds, Series F (Federally Taxable Direct-Pay – Qualified School Construction Bonds) (the "2008 Series F Bonds"), the 2018 General Obligation Refunding Bonds (the "2018 Refunding Bonds" and, together with the 2008 Series B Bonds, the 2008 Series C Bonds, the 2008 Series E Bonds and the 2008 Series F Bonds, the "2008 Authorization Bonds"), the General Obligation Bonds, 2018 Election, 2019 Series A (the "2019 Series A Bonds"), the General Obligation Bonds, 2018 Election, 2021 Series B (the "2021 Series B Bonds"), the General Obligation Bonds, 2018 Election, 2022 Series C (the "2022 Series C Bonds") and the Bonds. The 2019 Series A Bonds, the 2021 Series B Bonds and the 2022 Series C Bonds are together referred to herein as the "2018 Authorization Bonds" and the Bonds are referred to as the "2024 Authorization Bonds."

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

Period Ending August 1	1999 Authorization Bonds	2008 Authorization Bonds	2018 Authorization Bonds	2024 Authorization Bonds	Total Debt Service
2027	\$8,772,909.30	\$14,933,751.50	\$8,950,818.76		
2028	8,774,048.90	15,507,282.50	9,262,318.76		
2029	8,766,313.70	15,900,726.24	9,640,068.76		
2030	9,480,268.50	15,561,745.53	9,981,218.76		
2031	9,475,880.90	15,044,763.88	10,328,468.76		
2032	9,474,682.80	15,565,520.22	10,696,968.76		
2033	--	16,181,920.00	11,074,468.76		
2034	--	18,631,230.00	11,465,868.76		
2035	--	20,138,100.00	11,865,418.76		
2036	--	20,956,125.00	12,285,868.76		
2037	--	21,805,630.00	12,720,018.76		
2038	--	22,695,550.00	13,171,068.76		
2039	--	23,626,528.71	13,637,118.76		
2040	--	24,592,796.23	14,116,318.76		
2041	--	25,597,270.02	14,613,243.76		
2042	--	24,219,873.32	15,129,568.76		
2043	--	25,249,933.69	15,663,418.76		
2044	--	26,322,877.58	16,219,068.76		
2045	--	27,436,839.60	16,788,568.76		
2046	--	28,495,876.50	17,383,468.76		
2047	--	28,500,000.00	17,998,756.26		
2048	--	--	18,634,212.50		
2049	--	--	19,053,712.50		
2050	--	--	19,720,500.00		
Total	\$54,744,104.10	\$446,964,340.52	\$330,400,531.46		

Source: *The District*.

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THE PROJECTS

The District intends to apply the net proceeds of the Bonds to finance the acquisition, construction, furnishing and equipping of school facilities of the District in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list.

The “Smaller Classes, Safer Schools, and Financial Accountability Act,” a Constitutional amendment known as Proposition 39, controls the method by which the District will expend bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds, which was then submitted to the voters at the Election (the “Project List”). The District will prioritize the projects and may not undertake to complete all components of the Project List.

SECURITY FOR THE BONDS

General

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

The District received authorization to issue \$355,000,000 aggregate principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 5, 2024. The Bonds are the first series of bonds issued under the 2024 Authorization. Subsequent to the issuance of the Bonds, \$255,000,000* aggregate principal amount of general obligation bonds will remain for issuance under the 2024 Authorization.

Property Taxation System

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

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

* Preliminary; subject to change.

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

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

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

Pledge of Tax Revenues

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

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

TAX BASE FOR REPAYMENT OF THE BONDS

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

***Ad Valorem* Property Taxation**

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

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

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

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

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

Assessed Valuations

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

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

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

The following table presents the historical assessed valuation in the District since fiscal year 2016-17. The District's total assessed valuation is \$47,204,920,209 for fiscal year 2026-27.

SANTA ANA UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2016-17 Through 2026-27

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2016-17	\$26,600,733,580	\$3,236,838	\$2,807,769,653	\$29,411,740,071	--%
2017-18	28,312,126,760	3,236,838	2,842,827,193	31,158,190,791	5.94
2018-19	30,319,470,938	4,283,140	2,816,881,241	33,140,635,319	6.36
2019-20	32,056,207,845	4,283,140	3,010,490,522	35,070,981,207	5.82
2020-21	33,673,661,418	4,283,140	2,986,292,932	36,664,237,490	4.54
2021-22	35,070,638,193	4,283,140	3,091,809,943	38,166,731,276	4.10
2022-23	37,204,245,620	7,748,960	3,240,827,753	40,452,822,333	5.99
2023-24	39,232,831,483	7,748,960	3,331,936,082	42,572,516,525	5.24
2024-25	40,500,343,247	7,748,960	3,840,889,374	44,348,981,581	4.17
2025-26	41,587,058,154	7,629,170	3,949,385,249	45,544,072,573	2.69
2026-27	43,197,558,186	6,103,336	4,001,258,687	47,204,920,209	3.65

⁽¹⁾ Includes the secured assessed valuation of utility property and excludes the unitary assessed valuation of utility property, both as determined by the State Board of Equalization.

Source: *California Municipal Statistics, Inc.*

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

Natural Disasters Impacting Assessed Valuations

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

During fiscal years 2020-21, 2021-22, and 2022-23, much of the State experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. Beginning in April, 2021, Governor Newsom signed several executive orders relating to the drought, including declaring states of emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during

rain and using potable water to clean hard surfaces and driveways. In June, 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations followed by additional water use regulations in December prohibiting wasteful water use practices. On March 24, 2023, as a result of rain and snowfall in the State, Governor Newsom rolled back many of the water use restrictions in his previous drought-related executive orders but left in place certain measures aimed at wasteful water uses as well as preserving ground water supplies.

The State has experienced severe drought conditions in recent years, but has also recently experienced periods of extreme precipitation. Currently, according to the U.S. Drought Monitor, 48.87% of the State is experiencing abnormally dry conditions, 23.26% of the State is experiencing moderate drought conditions and none of the State is experiencing severe drought conditions. The County is not currently experiencing abnormally dry or drought conditions. The District cannot predict if or when drought conditions might occur in the County or if water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

Wildfires. In recent years, certain portions of the State were affected by large-scale wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District has not been materially impacted by recent wildfires.

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

The City of Santa Ana (the “City”) has experienced a total of 8,604 earthquakes since 1931, with the largest earthquake within 30 miles of the City being a 5.7 magnitude, which occurred in 1987. According to the United States Geological Survey database, there is an almost 95.85% chance of a major earthquake within 30 miles of the City within the next 50 years.

Floods. The Federal Emergency Management Agency produces Flood Insurance Rate Maps that show that some portions of the District may be located within a 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year.

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

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

Change in Economic Conditions. Economic downturns, whether caused by a pandemic or other public health emergency, financial market disruption or other factors, could cause widespread unemployment and economic slowdown in the United States, the State and the County, and create risk of a general market decline in real estate values which in turn could lead to a reduction of assessed values in the District.

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

Re-assessments and Appeals of Assessed Valuations

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

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

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

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

XIIIA annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIIIA base year value for such property. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution” herein.

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

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation of the taxable property within the District by jurisdiction for fiscal year 2026-27.

SANTA ANA UNIFIED SCHOOL DISTRICT 2026-27 Assessed Valuation by Jurisdiction

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
City of Costa Mesa	\$ 1,726,796,526	3.66%	\$ 30,636,125,949	5.64%
City of Irvine	12,301,500,445	26.06	125,558,774,134	9.80
City of Newport Beach	2,481,923,880	5.26	89,239,864,212	2.78
City of Santa Ana	29,555,938,941	62.61	38,883,609,112	76.01
City of Tustin	216,621,438	0.46	19,607,987,895	1.10
Unincorporated Orange County	<u>922,138,979</u>	<u>1.95</u>	45,303,597,084	2.04
Total District	\$47,204,920,209	100.00%		
Orange County	\$47,204,920,209	100.00%	\$892,297,856,670	5.29%

Source: *California Municipal Statistics, Inc.*

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Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use for fiscal year 2026-27.

SANTA ANA UNIFIED SCHOOL DISTRICT 2026-27 Assessed Valuation and Parcels by Land Use

	2026-27 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	\$12,542,689,773	29.04%	3,375	7.29%
Industrial	8,476,192,210	19.62	2,284	4.93
Government/Social/Institutional	0	0.00	995	2.15
Miscellaneous	<u>767,708</u>	<u>0.00</u>	<u>13</u>	<u>0.03</u>
Subtotal Non-Residential	\$21,019,649,691	48.66%	6,667	14.39%
Residential:				
Single Family Residence	\$15,991,581,455	37.02%	34,589	74.66%
Condominium	645,675,115	1.49	1,701	3.67
Mobile Home	19,633,874	0.05	1,170	2.53
Multi-Family Residential	<u>5,521,018,051</u>	<u>12.78</u>	<u>2,201</u>	<u>4.75</u>
Subtotal Residential	\$22,177,908,495	51.34%	39,661	85.61%
Total	\$43,197,558,186	100.00%	46,328	100.00%

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

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Assessed Valuation of Single-Family Homes

The following table sets forth ranges of assessed valuations of single-family homes in the District for fiscal year 2026-27, including the median and average assessed value per single family parcel.

SANTA ANA UNIFIED SCHOOL DISTRICT Per Parcel 2026-27 Assessed Valuation of Single-Family Homes

	No. of <u>Parcels</u>	2026-27 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	34,589	\$15,991,581,455	\$462,331	\$389,990

2026-27 <u>Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	310	0.896%	0.896%	\$ 10,951,928	0.068%	0.068%
\$50,000 - \$99,999	1,925	5.565	6.462	140,018,317	0.876	0.944
\$100,000 - \$149,999	1,517	4.386	10.847	192,858,103	1.206	2.150
\$150,000 - \$199,999	2,318	6.702	17.549	408,244,922	2.553	4.703
\$200,000 - \$249,999	2,677	7.739	25.288	607,866,029	3.801	8.504
\$250,000 - \$299,999	3,279	9.480	34.768	901,596,318	5.638	14.142
\$300,000 - \$349,999	3,177	9.185	43.953	1,031,499,777	6.450	20.592
\$350,000 - \$399,999	2,594	7.499	51.453	970,704,517	6.070	26.662
\$400,000 - \$449,999	2,368	6.846	58.299	1,006,666,913	6.295	32.957
\$450,000 - \$499,999	2,043	5.907	64.205	968,781,251	6.058	39.015
\$500,000 - \$549,999	1,789	5.172	69.378	936,622,836	5.857	44.872
\$550,000 - \$599,999	1,518	4.389	73.766	871,933,214	5.452	50.325
\$600,000 - \$649,999	1,300	3.758	77.525	812,394,875	5.080	55.405
\$650,000 - \$699,999	1,247	3.605	81.130	841,292,781	5.261	60.666
\$700,000 - \$749,999	1,189	3.438	84.567	860,068,086	5.378	66.044
\$750,000 - \$799,999	1,057	3.056	87.623	816,971,304	5.109	71.153
\$800,000 - \$849,999	893	2.582	90.205	735,541,307	4.600	75.752
\$850,000 - \$899,999	694	2.006	92.211	606,240,229	3.791	79.543
\$900,000 - \$949,999	530	1.532	93.744	489,484,427	3.061	82.604
\$950,000 - \$999,999	355	1.026	94.770	345,706,751	2.162	84.766
\$1,000,000 and greater	1,809	5.230	100.000	2,436,137,570	15.234	100.000
	34,589	100.000%		\$15,991,581,455	100.000%	

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

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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2026-27.

SANTA ANA UNIFIED SCHOOL DISTRICT 2026-27 Largest Total Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2026-27 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Edwards Lifesciences LLC	Industrial	\$ 745,054,442	1.72%
2.	Allergan Sales LLC	Industrial	391,315,037	0.91
3.	GS Bowery Owner LLC	Apartments	360,587,939	0.83
4.	Irvine Apartment Communities LP	Apartments	356,566,362	0.83
5.	The Irvine Company	Commercial	330,908,692	0.77
6.	Jacaranda Holdings LLC	Commercial	301,575,411	0.70
7.	PR/Broadstone Heritage I LLC	Apartments	298,759,538	0.69
8.	Irvine Office Towers 1 LLC	Commercial	290,592,530	0.67
9.	Mainplace Shoppingtown LLC	Commercial	242,128,048	0.56
10.	9 Macarthur Place Property LLC	Apartments	241,560,401	0.56
11.	Newport Gateway Office LLC	Commercial	240,046,018	0.56
12.	Hancock S-REIT Irvine Corp.	Commercial	201,982,440	0.47
13.	G3 Flight Owner LLC	Commercial	199,000,000	0.46
14.	Lakeshore Land Owner PT LLC	Commercial	188,743,371	0.44
15.	Boardwalk Office Associates LLC	Commercial	183,600,000	0.43
16.	Astoria Central Park West	Residential	183,179,178	0.42
17.	Santa Ana First Street LLC	Apartments	175,980,236	0.41
18.	Campos Verdes 1B LLC / Elements 1B LLC	Apartments	169,987,197	0.39
19.	Irvine Gardens LLC	Apartments	166,724,475	0.39
20.	Comref Royce LLC	Apartments	<u>165,591,014</u>	<u>0.38</u>
			\$5,433,882,329	12.58%

⁽¹⁾ 2026-27 local secured assessed valuation: \$43,197,558,186.

Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2026-27 account for 12.58% of the local secured assessed value in the District which is \$43,197,558,186. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2026-27 was Edwards Lifesciences LLC accounting for 1.72% of the total secured assessed value in the District. No other secured taxpayer accounts for more than 0.91% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 11-003 by the County within the District for fiscal years 2021-22 through 2025-26:

SANTA ANA UNIFIED SCHOOL DISTRICT
Summary of *Ad Valorem* Tax Rates
(Dollars Per \$100 of Assessed Valuation)
TRA 11-003⁽¹⁾

	2021-22	2022-23	2023-24	2024-25	2025-26
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Santa Ana Unified School District	0.06858	0.06976	0.05893	0.06076	0.06525
Rancho Santiago CCD	0.02652	0.02738	0.02666	0.02596	0.02746
Rancho Santiago CCD SFID No. 1	0.01637	0.01953	0.01889	0.01913	0.01980
Metropolitan Water District	0.00350	0.00350	0.00350	0.00700	0.00700
Total	\$1.11497	\$1.12017	\$1.10798	\$1.11285	\$1.11951

⁽¹⁾ 2025-26 assessed valuation of TRA 11-003 is \$9,066,922,885 which is 19.91% of the District's total assessed valuation.
Source: *California Municipal Statistics, Inc.*

The Teeter Plan

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 (the “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 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 Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied on the secured roll with respect to the Bonds irrespective of actual delinquencies in the collection of property 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 two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Tax Levies and Delinquencies

The table below summarizes the annual secured tax levy and delinquencies within the District as of June 30 for fiscal years 2021-22 through 2025-26. The County has adopted the Teeter Plan. As a result, the District's receipt of property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect.

SANTA ANA UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies Fiscal Years 2021-22 through 2025-26

Fiscal Year	Secured Tax Charge⁽¹⁾	Amount Delinquent June 30⁽²⁾	% Delinquent June 30
2021-22	\$117,653,927.40	\$ 826,602.78	0.70%
2022-23	123,645,649.70	934,356.56	0.76
2023-24	129,992,058.41	1,000,164.86	0.77
2024-25	133,598,016.40	1,259,854.18	0.94
2025-26	139,548,848.08	1,291,026.86	0.93

⁽¹⁾ Represents 1% General Fund apportionment. Excludes secured supplemental property.

⁽²⁾ The County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.

Source: *California Municipal Statistics, Inc.*

Direct and Overlapping Debt

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2026-27 Assessed Valuation: \$47,204,920,209

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/26</u>
Metropolitan Water District	1.062%	\$ 170,398
Irvine Ranch Water District Improvement District 113/213	5.378	1,272,906
Rancho Santiago Community College District	42.657	34,186,048
Rancho Santiago Community College District School Facilities Improvement District No. 1	80.747	101,058,908
Santa Ana Unified School District	100.000	380,341,565⁽¹⁾
Santa Ana Unified School District Community Facilities District No. 2004-1	100.000	4,675,000
California Statewide Community Development Authority		
Community Facilities District No. 2018-3	100.000	7,935,000
City of Irvine Community Facilities District No. 2004-1	100.000	14,365,000
City of Santa Ana 1915 Act Bonds	100.000	945,000
City of Irvine Assessment District No. 12-1	4.983	514,744
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$545,464,569

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	5.290%	\$ 22,068,822
Orange County Board of Education Certificates of Participation	5.290	429,548
Santa Ana Unified School District Certificates of Participation	100.000	34,084,709
City of Costa Mesa General Fund Obligations	5.636	858,363
City of Irvine General Fund Obligations	9.797	31,965,652
City of Newport Beach Certificates of Participation	2.781	2,231,057
City of Santa Ana General Fund Obligations	76.011	1,075,556
City of Santa Ana Pension Obligation Bonds	76.011	303,766,560
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$396,480,267

<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Santa Ana Redevelopment Agency Project Areas	81.733%	\$11,168,814
Successor Agency to Tustin Redevelopment Agency Project Areas	3.676	1,272,447
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$12,441,261

COMBINED TOTAL DEBT **\$954,386,097⁽²⁾**

Ratios to 2026-27 Assessed Valuation:

Direct Debt (\$380,341,565)	0.81%
Total Direct and Overlapping Tax and Assessment Debt.....	1.16%
Combined Direct Debt (\$414,426,274)	0.88%
Combined Total Debt	2.02%

Ratios to 2026-27 Redevelopment Incremental Valuation (\$9,159,936,704):

Total Overlapping Tax Increment Debt.....	0.14%
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⁽¹⁾ Does not include the Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: *California Municipal Statistics, Inc.*

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

For fiscal year 2026-27, the LCFF provided to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) \$11,811 per ADA for transitional kindergarten/kindergarten through grade 3; (b) \$10,860 per ADA for grades 4 through 6; (c) \$11,181 per ADA for grades 7 and 8; and (d) \$13,295 per ADA for grades 9 through 12. For fiscal year 2026-27, the LCFF also provided an adjusted add-on for Transitional Kindergarten ("TK") equal to \$5,704 per ADA.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of a cost-of-living-adjustment ("COLA") is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2024-25, the COLA was 1.07%, and for fiscal year 2025-26, the COLA was slightly higher, at 2.30%. The 2026-27 State Budget includes a statutory COLA of 2.87%, as well as a discretionary adjustment to LCFF funding to bring the total COLA to 4.31%. See "– State Budget Measures – 2025-26 State Budget" and "– 2026-27 State Budget" for information regarding the COLA for fiscal years 2025-26 and 2026-27. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

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

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

ADA and Enrollment

The following table sets forth the historical ADA at P-2 and enrollment for fiscal years 2016-17 through 2024-25.

SANTA ANA UNIFIED SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2016-17 through 2024-25

Fiscal Year	ADA	Enrollment
2016-17	48,383	49,791
2017-18	46,855	49,343
2018-19	45,094	47,586
2019-20	45,191	45,213
2020-21 ¹	43,670	43,911
2021-22	36,323	41,500
2022-23	36,657	39,603
2023-24	35,289	37,663
2024-25	33,496	35,673

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

Enrollment Trends. As shown in the table above, the District has been experiencing declining enrollment over the last decade. Similar to many California school districts, declining birthrates and lack of affordable housing has negatively impacted enrollment of new students in the District. Other demographic and social factors, including immigration enforcement activity, as well as competition from local charter schools, have also negatively impacted enrollment in the District. The District cannot predict the extent to which these factors will continue to affect enrollment in future years.

The District is addressing declining enrollment by right sizing its workforce through voluntary retirement incentives as well as reductions in force and other budgetary stabilization measures. See “ – *Structural Budget Imbalances and Fiscal Stabilization Plans*” below and “SANTA ANA UNIFIED SCHOOL DISTRICT – Supplemental Early Retirement Plans.”

The following table sets forth the ADA, enrollment and the percentage of EL/LI enrollment for fiscal year 2025-26 and projections for fiscal years 2026-27 through 2028-29, as of 2026-27 first interim report.

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

Fiscal Year	ADA					Enrollment	
	TK-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2025-26	8,713	6,830	4,883	10,707	31,132	33,382	92.3%
2026-27 ⁽¹⁾	7,835	6,372	4,417	10,056	28,679	30,722	92.5
2027-28 ⁽¹⁾	7,313	5,907	4,124	9,466	26,810	28,722	92.7
2028-29 ⁽¹⁾	6,979	5,428	3,912	8,840	25,159	26,955	92.9

⁽¹⁾ Projected as of 2026-27 First Interim Report.

Source: *The District*.

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

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

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

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

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

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

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

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

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

Revenue Sources

The District categorizes its General Fund revenues into four sources. Each of these revenue sources is briefly described below.

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

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

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

Before the OMB Memorandum became effective, two separate lawsuits were filed in federal district courts in Rhode Island and the District of Columbia challenging the OMB Memorandum and seeking injunctions. On January 28, 2025, shortly before the OMB Memorandum became effective, a District of Columbia federal judge issued an emergency administrative stay through February 3, 2025, at which time a preliminary injunction hearing was set. On January 29, 2025, OMB rescinded the OMB Memorandum. Although the OMB Memorandum was rescinded, the executive orders are in effect and the matter is ongoing as spending reviews are ongoing. On January 31, 2025, a Rhode Island federal judge issued a temporary restraining order on the pause. On February 3, 2025, the District of Columbia federal judge issued a temporary restraining order as well. On February 10, 2025, the Rhode Island federal judge granted a motion for a preliminary injunction and issued an Enforcement Order clarifying the scope of the temporary restraining order and ordering the Trump Administration to release federal funds and comply with the earlier order. The Trump Administration appealed the temporary restraining order to the U.S. Court of Appeals for the First Circuit. The Trump Administration’s request to stay the temporary restraining order pending appeal was denied. The U.S. Department of Education released a letter (the “Dear Colleague Letter”), dated February 14, 2025, notifying schools and colleges to eliminate diversity, equity, and inclusion programs and initiatives by the end of the month or risk losing federal funding. The Dear Colleague Letter was enjoined in federal court later in 2025, and the U.S. Department of Education’s subsequent appeal was dismissed.

On March 20, 2025, President Trump issued an executive order aimed at closing the United States Department of Education (“USDOE”) and directing the United States Secretary of Education to take steps to facilitate the closure. On May 22, 2025, a Massachusetts federal judge issued an injunction to block President Trump’s executive order to close the USDOE and conduct massive layoffs, stating that closure of the USDOE would take an act of Congress. On July 14, 2025, the Supreme Court of the United States lifted the injunction allowing the Trump Administration’s massive layoffs at USDOE to remain in effect.

Furthermore, on July 1, 2025, President Trump announced the withholding of \$6.2 billion in grants that Congress allocated to support English learners, teacher training, after-school programs and migrant education in schools in every state. However, on July 25, 2025, the federal government announced it was

releasing \$5.5 billion of such education funding. The District cannot predict the extent of any federal funding cuts and the impact on the District's finances or operations as a result of closure of the USDOE or other changes to federal funding. Any material reduction in federal funding could exacerbate the District's existing structural budget challenges described herein. See " - Budget Procedures - Structural Budget Imbalances and Fiscal Stabilization Plans."

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

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

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

The following table presents each revenue source as a percentage of total General Fund revenues for fiscal years 2022-23 through 2026-27.

SANTA ANA UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source⁽¹⁾
Fiscal Years 2022-23 through 2026-27

Revenue Source	2022-23	2023-24	2024-25	2025-26 ⁽²⁾	2026-27 ⁽³⁾
LCFF sources	59.22%	68.59%	70.30%	67.72%	68.58%
Federal revenues	12.43	6.63	4.49	4.57	4.55
Other State revenues	25.42	18.69	18.89	21.78	21.07
Other local revenues	2.63	6.09	6.33	5.92	5.80

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

⁽²⁾ Based on unaudited actual results.

⁽³⁾ Budgeted.

Source: *The District*.

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Developer Fees

The District currently collects impact fees (“Developer Fees”) pursuant to Education Code Section 17620 on residential housing in the amount of \$5.38 per square foot and on commercial and industrial development in the amount of \$ 0.87 per square foot. The following table sets forth developer fee revenues received by the District for the last five fiscal years including the budgeted developer fee revenues for the current fiscal year. However, the Bonds are general obligations of the District payable solely from *ad valorem* property taxes and are not payable from developer fees collected within the District.

SANTA ANA UNIFIED SCHOOL DISTRICT Developer Fee Collections

Fiscal Year	Developer Fees Collected
2022-23	\$9,499,645.11
2023-24	6,610,647.66
2024-25 ⁽¹⁾	1,052,845.18
2025-26 ⁽²⁾	6,308,409.25
2026-27 ⁽³⁾	3,477,756.00

⁽¹⁾ During fiscal year 2024-25, less developer fees were collected due to fewer large developments entering the market.

⁽²⁾ Unaudited.

⁽³⁾ Budgeted.

Source: *The District*.

Budget Procedures

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

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

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

Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than November 8, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved.

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

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

The District has filed positive interim certifications for each reporting period in the last five years.

The Bonds described herein are general obligations of the District payable solely from *ad valorem* property taxes. The Bonds are not payable from the General Fund of the District. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. When collected, the *ad valorem* property taxes levied to pay the Bonds will be deposited to the Interest and Sinking Fund of the District held by the County prior to transfer to the Paying Agent to pay the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Structural Budget Imbalances and Fiscal Stabilization Plans. The District has made substantial progress in addressing structural budget imbalances through a series of Board-approved fiscal stabilization measures designed to better align ongoing expenditures with available revenues while preserving essential student services. These measures have been undertaken in response to declining enrollment and average daily attendance, together with rising costs for special education, mental health support, language acquisition, utilities, insurance and other operations. The District's 2025-26 unaudited financial results reflect an operating deficit of approximately \$29 million; however, the adopted budget for 2026-27 projects a substantially smaller operating deficit of approximately \$4.4 million. See "– ADA and Enrollment" above.

On December 17, 2024, the Board adopted a fiscal stabilization plan (the "2024-25 Fiscal Stabilization Plan") to align expenditures with available revenues. The plan included staffing adjustments to reflect current and projected enrollment, including a supplemental retirement plan and reductions in force. The 2025 reduction in force resulted in the layoff of 262 teachers, counselors and staff, reducing certificated staffing by approximately 10%. The plan also established Executive Cabinet review before

classified non-management and management vacancies could be filled. See “SANTA ANA UNIFIED SCHOOL DISTRICT – Supplemental Early Retirement Plans” herein.

The 2024-25 Fiscal Stabilization Plan also established systematic reviews of existing and proposed services to identify opportunities for efficiency, cost reduction, consolidation and financial return on investment without compromising essential student services. General fund capital expenditures became subject to additional review, prioritizing urgent student-benefiting projects with available funding. The plan further emphasized compliance with state and federal budget-reporting requirements, regular Board updates, engagement with employees, parents, community members and employee unions, and monitoring of state and federal economic developments.

Building on these actions, on March 10, 2026, the Board approved an updated fiscal stabilization plan (the “2025-26 Fiscal Stabilization Plan”), continuing and expanding the District’s fiscal-management measures. The updated plan directs the alignment of staffing with current and projected enrollment and requires Executive Cabinet review before filling certificated, classified and management vacancies, including certificated positions under temporary contracts.

The 2025-26 Fiscal Stabilization Plan also strengthens review of general fund expenditures for supplies, services and capital projects based on operational necessity, student impact, available funding, cost reduction and efficiency. It provides for development of zero-based budgets informed by historical and vendor-level purchasing data, continued oversight by internal and community budget committees, regular implementation reports to the Board, engagement with educational partners and ongoing monitoring of state and federal economic and budgetary developments.

The District’s unrestricted general fund ending fund balance projections provide an additional indication of progress toward fiscal stabilization. Following a decline from approximately \$224.0 million in fiscal year 2022-23 to approximately \$79.2 million in fiscal year 2025-26, the unrestricted ending fund balance is projected to remain comparatively stable at approximately \$82.5 million in fiscal year 2026-27 and \$83.2 million in fiscal year 2027-28, before declining to approximately \$67.7 million in fiscal year 2028-29. These projected unrestricted balances remain above the minimum required unrestricted reserves reflected in the District’s October 7, 2026 unaudited actuals presentation. The projected stabilization in the near-term unrestricted fund balance trend contrasts with the significant declines in prior fiscal years, although the projections continue to reflect pressure on available resources.

The District’s adopted budget for fiscal year 2026-27 projects an operating deficit of approximately \$4.4 million, with projected operating deficits of approximately \$7.4 million in fiscal year 2027-28 and \$28.7 million in fiscal year 2028-29. While these projections demonstrate that structural budget pressures have not been fully eliminated, the District expects to meet its financial obligations in the current and following two fiscal years and intends to continue implementing and refining its fiscal stabilization measures to address remaining imbalances and align ongoing expenditures with recurring revenues.

General Fund Budget. The District’s General Fund audited actuals for fiscal years 2021-22 through 2024-25, adopted budgets for fiscal years 2021-22 through 2026-27 and unaudited actual results for fiscal year 2025-26 are set forth on the following page.

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**SANTA ANA UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING**

	Adopted Budget 2021-22 ⁽¹⁾	Audited Actuals 2021-22 ⁽¹⁾	Adopted Budget 2022-23 ⁽¹⁾	Audited Actuals 2022-23 ⁽¹⁾	Adopted Budget 2023-24 ⁽¹⁾	Audited Actuals 2023-24 ⁽¹⁾	Adopted Budget 2024-25 ⁽¹⁾	Audited Actuals 2024-25 ⁽¹⁾	Adopted Budget 2025-26 ⁽²⁾	Unaudited Actuals 2025-26 ⁽³⁾	Adopted Budget 2026-27 ⁽⁴⁾
REVENUES											
LCFF Sources	\$527,576,807	\$542,446,547	\$558,901,626	\$597,188,247	\$600,394,753	\$611,931,573	\$585,498,126	\$588,892,405	\$582,904,527	\$581,574,455	\$584,001,670
Federal	238,969,120	150,389,281	139,502,179	128,305,824	52,478,028	59,138,060	40,174,611	37,578,126	34,777,257	39,228,777	38,740,073
Other State	88,472,495	141,094,584	193,795,736	256,362,861	146,311,916	166,763,267	159,776,388	158,237,290	132,606,305	187,076,599	179,470,973
Other Local	10,350,698	12,109,824	10,060,046	26,496,270	17,255,404	54,306,699	33,421,695	53,024,519	25,510,969	50,870,535	49,398,484
Total Revenues	865,369,120	846,040,236	902,259,587	1,008,353,202	816,440,101	892,139,599	818,870,820	837,732,340	775,799,058	858,750,367	851,611,200
EXPENDITURES											
Current											
Certificated Salaries	276,903,707	327,590,161	344,286,483	371,629,813	357,394,785	353,079,323	362,689,191	375,685,692	324,543,468	317,356,544	311,955,753
Classified Salaries	114,665,640	116,437,854	130,266,933	137,103,766	136,342,853	147,353,122	150,594,413	157,085,216	157,322,039	163,330,021	176,104,357
Employee Benefits	174,891,317	179,378,492	210,791,289	205,405,672	236,234,382	242,366,015	264,911,817	257,207,048	219,065,174	243,540,787	246,663,251
Books and Supplies	132,908,634	35,220,500	83,035,731	32,770,275	57,142,196	34,956,774	35,979,265	23,288,788	30,734,364	23,078,279	27,005,104
Services, Other Operating Expenses	179,659,346	88,391,751	95,159,138	93,001,907	101,271,253	112,662,776	121,978,216	120,400,742	92,140,982	117,658,889	77,709,593
Other Outgo	3,194,196	1,921,843	2,228,535	2,542,058	1,886,214	2,852,603	850,011	2,051,572	5,743,245	5,241,317	4,791,750
Transfers of Indirect Costs	--	--	--	--	--	--	--	--	(3,199,662)	(3,219,673)	(5,265)
Capital outlay	3,001,148	3,670,131	26,971,334	11,759,902	16,562,295	48,389,385	23,854,865	41,446,711	1,584,149	15,828,304	5,644,355
Debt service- principal	--	--	--	733,699	--	1,146,336	--	1,345,079	--	--	--
Debt service - interest	--	5,557	--	105,343	--	97,974	--	44,131	--	--	--
Total Expenditures	885,223,988	752,616,289	892,739,443	855,052,435	906,833,978	942,904,308	960,857,778	978,554,979	827,933,760	882,814,467	849,868,898
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(19,854,868)	93,423,947	9,520,144	153,300,767	(90,393,877)	(50,764,709)	(141,986,958)	(140,822,639)	(52,134,702)	(24,064,100)	1,742,302
OTHER FINANCING SOURCES (USES)											
Transfers in	--	--	--	--	--	91,087	--	--	--	--	--
Other sources – proceeds from leases	--	--		830,140	--	--	--	--	--	--	--
Other sources – proceeds from SBITAs	--	--		891,432	--	666,247	--	963,442	--	--	--
Transfers out	(5,421,534)	(7,649,387)	(5,574,628)	(8,771,931)	(5,697,560)	(5,670,064)	(5,816,565)	(5,866,919)	(6,300,856)	(5,115,811)	(6,115,121)
Total Other Financing Sources (Uses)	(5,421,534)	(7,649,387)	(5,574,628)	(7,050,359)	(5,697,560)	(4,912,730)	(5,816,565)	(4,903,477)	(6,300,856)	(5,115,811)	(6,115,121)
NET CHANGE IN FUND BALANCES	(25,276,402)	85,774,560	3,945,516	146,250,408	(96,091,437)	(55,677,439)	(147,803,523)	(145,726,116)	(58,435,558)	(29,179,912)	(4,372,819)
Fund Balance, July 1	187,826,797	187,826,797	273,601,357	273,601,357	419,851,765	419,851,765	364,174,326	364,174,326	203,215,603	216,682,920 ⁽⁵⁾	187,476,610
Fund Balance, June 30	\$162,550,395	\$273,601,357	\$277,546,873	\$419,851,765	\$323,760,328	\$364,174,326	\$216,370,803	\$218,448,210	\$144,780,045	\$187,476,610	\$183,103,791

⁽¹⁾ From the District's comprehensive audited financial statements for fiscal years 2021-22 through 2024-25, respectively. The District's audited financial statements combine the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Other Postemployment Benefits with the General Fund for financial reporting purposes pursuant to GASB Statement No. 54.

⁽²⁾ From the District's adopted budget for fiscal year 2025-26.

⁽³⁾ From the Unaudited Actuals for fiscal year 2025-26.

⁽⁴⁾ From the Adopted Budget for fiscal year 2026-27, adjusted to reflect the actual beginning fund balance as of July 1, 2026, as reported in the District's Unaudited Actuals for fiscal year 2025-26.

⁽⁵⁾ Unaudited Actual beginning fund balance for fiscal year 2025-26 includes a restatement of \$(26,399) and does not include \$1,765,290 included in the audited 2024-25 ending fund balance. See footnote 1.

Source: *The District*.

Comparative Financial Statements

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2025, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 1601 East Chestnut Avenue, Santa Ana, California 92701. See APPENDIX B hereto for the fiscal year 2024-25 Audited Financial Statements of the District.

The table on the following page reflects the District's audited General Fund revenues, expenditures and fund balances from fiscal year 2021-22 to fiscal year 2024-25. The District's audited financial statements combine the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Other Postemployment Benefits with the General Fund for financial reporting purposes pursuant to GASB Statement No. 54. Accordingly, the audited figures may differ from General Fund amounts reported in the District's budgets and Unaudited Actuals.

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

	2021-22 Audit	2022-23 Audit	2023-24 Audit	2024-25 Audit
REVENUES				
Local Control Funding Formula	\$542,446,547	\$597,188,247	\$611,931,573	\$588,892,405
Federal Revenues	150,389,281	128,305,824	59,138,060	37,578,126
Other State Revenues	141,094,584	256,362,861	166,763,267	158,237,290
Other Local Revenues	12,109,824	26,496,270	54,306,699	53,024,519
Total Revenues	846,040,236	1,008,353,202	892,139,599	837,732,340
EXPENDITURES				
Current				
Instruction	473,988,680	510,134,198	533,947,315	545,701,697
Instruction related activities:				
Supervision of instruction	28,128,061	51,640,815	65,653,455	70,102,287
Instructional library, media and technology	6,181,753	6,451,105	8,051,036	8,352,702
School site administration	42,851,331	50,392,295	55,738,631	55,356,045
Pupil services:				
Home-to-school transportation	15,388,203	13,957,038	16,548,340	19,179,389
Food services	1,168,486	609,941	971,902	2,424,025
All other pupil services	62,562,326	72,338,257	76,301,896	82,187,869
Administration:				
Data processing	6,944,215	8,886,781	9,232,017	12,025,201
All other administration	33,217,635	42,138,456	45,584,858	53,459,606
Plant services	66,103,824	74,325,218	86,451,726	83,057,708
Ancillary services	8,535,535	11,159,788	11,319,318	11,494,694
Community services	265,014	312,185	328,473	375,054
Other outgo	4,009,704	3,972,156	4,332,688	5,131,837
Enterprise services	34,715	--	--	51,734
Facility acquisition and construction	3,231,250	7,895,160	27,198,343	28,265,921
Debt Service				
Principal	--	733,699	1,146,336	1,345,079
Interest and other	5,557	105,343	97,974	44,131
Total Expenditures	752,616,289	855,052,435	942,904,308	978,554,979
Excess (Deficiency) of Revenues Over Expenditures	93,423,947	153,300,767	(50,764,709)	(140,822,639)
OTHER FINANCING SOURCES (USES):				
Transfers In	--	--	91,087	--
Other sources – leases	--	830,140	--	--
Other sources – SBITAs	--	891,432	666,247	963,442
Transfers Out	(7,649,387)	(8,771,931)	(5,670,064)	(5,866,919)
Net Financing Sources	(7,649,387)	(7,050,359)	(4,912,730)	(4,903,477)
NET CHANGE IN FUND BALANCES	85,774,560	146,250,408	(55,677,439)	(145,726,116)
Fund Balances at Beginning of Year	187,826,797	273,601,357	419,851,765	364,174,326
Fund Balances at End of Year	\$273,601,357	\$419,851,765	\$364,174,326	\$218,448,210

Source: *The District*.

Accounting Practices

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

State Budget Measures

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

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

The 2025-26 State Budget projected approximately \$215.7 billion in general fund revenues with a prior year balance of \$35.1 billion for total resources of approximately \$250.9 billion, and \$228.4 billion in expenditures for fiscal year 2025-26. For fiscal year 2024-25, the 2025-26 State Budget estimated \$268.7 billion in total resources and \$233.6 billion in expenditures. The 2025-26 State Budget contained total reserves of approximately \$15.7 billion, including \$11.2 billion in the Rainy-Day Fund and \$4.5 billion in the Special Fund for Economic Uncertainty (the "SFEU"). The 2025-26 State Budget maintained the withdrawal of the \$8.4 billion balance in the Public School System Stabilization Account (the "PSSSA") in fiscal year 2023-24 and included the scheduled \$7.1 billion Budget Stabilization Account (the "BSA") withdrawal in fiscal year 2025-26 included in the fiscal year 2024-25 State Budget. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein for more information regarding school district reserves.

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

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

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

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

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

2026-27 State Budget. The budget for fiscal year 2026-27 for the State (“2026-27 State Budget”) was signed by the Governor on June 29, 2026. The 2026-27 State Budget includes balanced budgets for fiscal year 2026-27 and fiscal year 2027-28 and reduces operating deficits projected in future years by more than half. For fiscal year 2026-27, the 2026-27 State Budget includes revenues and transfers of approximately \$226 billion and a prior year balance of approximately \$57 billion for total resources of approximately \$284 billion and expenditures of approximately \$251 billion. For fiscal year 2025-26, the 2026-27 State Budget includes total general fund resources of \$303 billion (revenues and transfers of \$246 billion and prior year balance of \$57 billion) and expenses of \$245 billion.

The 2026-27 State Budget includes three key revenue proposals: i) extending the business credit tax credit limitation of \$5 million or 50% of tax liability, whichever is greater, for an additional three years through 2029, ii) taxation of digital prewritten software and software as a service, and iii) a tax on managed care organizations.

In recent years, the State has used withdrawals from the BSA as a budget solution and has suspended deposits to the BSA. However, as a result of an increase in revenue driven by an increase in personal income, corporate, and sales and use taxes, the 2026-27 State Budget includes a \$3.6 billion deposit into the BSA in 2026-27 and a minor “true-up” for the 2024-25 fiscal year. After accounting for these actions, the BSA balance at the end of fiscal year 2026-27 is projected to be \$15.1 billion—an increase of \$3.9 billion compared to the fiscal year 2024-25 State Budget. In addition, the 2026-27 State Budget includes a projected ending fund balance of \$4.5 billion in the SFEU and \$9.2 billion in the PSSSA—bringing the combined reserves in 2026-27 to \$28.8 billion.

The 2026-27 State Budget provides for a transfer of \$6.4 billion to the recently created Projected Surplus Temporary Holding Account to set aside funds in fiscal year 2026-27 to support fiscal year 2027-28. Established in 2024, the Projected Surplus Temporary Holding Account allows the State to set aside a portion of anticipated surplus funds for allocation in a subsequent fiscal year, helping protect against overcommitting projected resources before revenues are realized and expenditures are finalized. When accounting for the balance in the Projected Surplus Holding Account, the 2026-27 State Budget sets aside approximately \$35.2 billion for future funding obligations in the 2026-27 fiscal year.

The 2026-27 State Budget includes \$91.1 billion general fund and \$60.3 billion other funds for total funding of \$151.4 billion for all TK-12 education programs. At the adoption of the 2026-27 State Budget, the revised estimates of general fund revenues result in adjustments to the Proposition 98 guarantee to \$124.9 billion in 2024-25, \$125.3 billion in 2025-26, and \$128.1 billion in fiscal year 2026-27. These

revised Proposition 98 funding amounts represent an increase of approximately \$29.2 billion over the three-year period relative to the 2025-26 State Budget.

Much of the funding increase between the 2026-27 State Budget is required to be deposited in the PSSSA and will not immediately be available to TK-12 schools and community colleges. In addition, the Proposition 98 formula requires an \$8.3 billion maintenance factor payment in fiscal year 2024-25 above the Proposition 98 guarantee, which will fully retire the Proposition 98 maintenance factor balance. The 2026-27 State Budget also includes a settle-up payment of \$1.9 billion in fiscal year 2024-25 and a \$3.9 billion settle-up amount in fiscal year 2025-26; which amounts may be statutorily required if revenues remain at current levels through spring 2027.

The 2026-27 State Budget projects mandatory deposits into the PSSSA across the three-year budget window totaling \$8.7 billion. To provide additional long-term budget stability, the 2026-27 State Budget includes a discretionary deposit of \$500 million in fiscal year 2025-26, leaving the final balance in the PSSSA at \$9.2 billion, which will trigger school district reserve caps beginning in fiscal year 2026-27.

The 2026-27 State Budget includes a statutory LCFF COLA of 2.87%. When combined with population growth adjustments, this will result in an increase of approximately \$1.1 billion in discretionary funds for local educational agencies compared to the 2025-26 State Budget. Additionally, the 2026-27 State Budget includes \$1.1 billion to further increase funding for the LCFF. This discretionary investment, commonly referred to as a “super COLA,” results in a total cost-of-living adjustment of 4.31%.

Additional significant provisions of the 2026-27 State Budget relating to TK-12 education included the following:

- State Education Governance — Oversight authority of the management of the California Department of Education and support of local educational agencies by the State Board of Education and the State Superintendent provided the ability to strengthen coordination and alignment among the bodies setting policy from early childhood through postsecondary education, two new State Board of Education appointees, appointed by each house of the Legislature, as well as the replacement of one gubernatorial appointee with the State Superintendent, bringing the total number of State Board members to 13. The Budget also requires the new Education Commissioner, who will be appointed by the Governor, to oversee the Department of Education, to be confirmed by the State Senate.
- Paid Pregnancy Disability Leave — A requirement that all TK-14 local educational agencies provide all employees with up to 14 weeks of paid pregnancy disability leave beginning on January 1, 2027 with costs of the benefit anticipated to be absorbable within the funding allocated to local educational agencies for the discretionary LCFF "super COLA."
- Non-LEA State Preschool Program — a change in funding source for non-local educational agency State Preschool providers to Proposition 98 General Fund. The 2026-27 State Budget “rebenches” Proposition 98 by expanding it in proportion to the size of the incoming program shifting \$813 million from the General Fund to the Proposition 98 General Fund and increases the Proposition 98 Guarantee Test 1 from 39.3% to 39.6%.
- Special Education — \$2.4 billion in special education funding which will allow all LEAs to receive special education funding at the same rate and will increase the per-student rate to \$1,340 as well as ongoing allocation of \$80 million for the special education extraordinary cost pool, a one-time increase of \$30 million for the Supporting Inclusive Practices Project, a one-time increase of \$25 million for the Inclusive College Technical Assistance Center and \$10 million to develop resources

and provide technical assistance to support the implementation of alternative pathways and alternative means to a high school diploma for students with disabilities.

- Student Support and Professional Development Discretionary Block Grant — \$5 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block for i) professional development for teachers on the English Language Arts/English Language Development (ELA/ELD) Framework and the Literacy Roadmap, ii) professional development for teachers on the Mathematics Framework; iii) professional development for TK-3 teachers and elementary school site administrators on the principles and guidelines of developmentally appropriate instruction; iv) teacher recruitment and retention strategies, v) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education, vi) community school and promising neighborhood partnerships and vii) deferred maintenance of school facilities.
- Community Schools — \$1 billion ongoing Proposition 98 General Fund to expand the community school model to more school sites that have large concentrations of students from low-income families, English learners, and youth in foster care.
- Complements to the Community Schools Program — \$50 million to redesign middle and high schools in the context of community schools, \$15 million to the State Transformational Assistance Center and Regional Transformational Assistance Centers to support the statewide transformation of new community schools, \$13 million to the State Transformational Assistance Center to develop and implement: (1) the ongoing process to certify that community schools are implemented with fidelity and (2) the long-term accountability structure, and \$6 million for implementation of Transforming Together, an initiative supported by the Children and Youth Behavioral Health Initiative to strengthen collaboration between county offices of education and community partners to meet the behavioral health needs of students and families.
- Literacy and Math Instruction — \$350 million to extend funding for Literacy Coaches and Reading Specialists Grant Program for all grantees until June 30, 2031 and \$50 million one-time Proposition 98 General Fund to allow the work of the Mathematics Professional Learning Partnership to extend beyond its current expiration date of June 30, 2029.
- Student Teacher Stipend Program — \$408 million one-time Proposition 98 General Fund for the Student Teacher Stipend Program to extend the program and provide an additional \$5,000 stipend for student teachers pursuing a credential in a high-need field.
- Educator Residency — \$250 million one-time Proposition 98 General Fund to continue educator residency programs through fiscal year 2029-30. Educator residencies provide high-quality, clinically rich preparation for teachers and school counselors, with residency program participants having higher program completion and workforce retention rates than non-residency prepared teachers.
- Supports for Immigrant Students — \$100 million one-time Proposition 98 General Fund for the Department of Education, in consultation with the Department of Social Services, to establish the California's New Americans in Schools (CalNAS) program to provide supportive services for newcomer pupils, English learners, and immigrant families including: (1) professional development and resources for staff to support immigrant pupils and families; (2) academic and social services supports for newcomer pupils; and (3) contracting with immigration legal service providers to support outreach or immigration-related legal and other support services.

- Dream Resource Centers — \$75 million one-time Proposition 98 General Fund to establish Dream Resource Centers at high schools serving grades 9-12. Funds are intended to support pupils with social services, state-funded immigration legal services, academic opportunities, and parent and family workshops.
- Teacher Residency — \$30 million one-time Proposition 98 General Fund for the statewide teacher residency technical assistance center, extending its ability to support local educational agencies in implementing, expanding, and sustaining teacher residency programs and other teacher recruitment and retention through 2034.
- IDEA and Golden State Teacher Grant Program — \$16.2 million ongoing federal special education (IDEA) funds, \$1.6 million one-time federal Title II funds to continue the Golden State Teacher Grant Program (GSTG) and \$10 million one-time General Fund for GSTG to support awards for students applying in the 2027-28 year to prepare to teach in shortage fields.
- 21st Century California School Leadership Academy — \$15 million one-time Proposition 98 General Fund to expand and enhance offerings through the 21st Century California School Leadership Academy (21CSLA) program for school leaders. 21CSLA provides no-cost, high-quality professional learning to support California's education leaders and administrators in improving student outcomes and implementing initiatives like universal transitional kindergarten.
- Pathways to Bilingual Teaching Program — \$10 million one-time Proposition 98 General Fund for the Pathways to Bilingual Teaching Program to provide competitive grants up to \$600,000 to local educational agencies to create pathways that will increase the number of teachers qualified to teach in bilingual settings.
- CSEA Credentialing — \$10 million one-time Proposition 98 General Fund for the Classified School Employee Teacher Credentialing Program to provide grants up to \$24,000 to local educational agencies to support classified employees pursuing teaching credentials.
- Learning Recovery Emergency Block Grant — \$757.3 million one-time Proposition 98 General Fund to support the Learning Recovery Emergency Block Grant, which provides funds to local educational agencies to establish learning recovery initiatives through the 2027-28 school year.
- Kitchen Infrastructure and Training — \$500 million one-time Proposition 98 General Fund for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- Support for Students Experiencing Homelessness — \$116 million one-time Proposition 98 General Fund 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 one-time Proposition 98 General Fund to increase access to college and career pathways for high school students, including expanding access to dual enrollment and dual credit opportunities.
- Reading Difficulties Risk Screening — \$40 million one-time Proposition 98 General Fund to support continued implementation of student reading difficulties screenings.

- Holocaust and Genocide Education — \$10 million one-time Proposition 98 General Fund for the Holocaust and Genocide Education Grant Program to support professional development and provide resources on Holocaust and genocide education.
- Charter School Accountability — The Budget includes new requirements for charter schools to ensure that public funds are properly utilized, address fraud and malfeasance, and improve accountability and oversight, as well as provide for the use of verified data in the charter school renewal process until June 30, 2028.

For more information on the impact of the 2026-27 State Budget on LCFF funding and District revenues, see “DISTRICT FINANCIAL INFORMATION – Budget Procedures – *General Fund Budget*.”

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. No prediction can be made as to whether the State will, in the future, take further measures which would, in turn, adversely affect the District. Further State actions taken to address any budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

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

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

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CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

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

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

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

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

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

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

The California electric utility industry has experienced significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. As an LCFF district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

Article XIII B of the California Constitution

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

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

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

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

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

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

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

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

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8 of Article XVI of the State Constitution. See “–Proposition 98” and “–Proposition 111” below.

Article XIII C and Article XIII D of the California Constitution

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

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

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

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

Proposition 26

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

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school

districts”) at a level equal to the greater of (a) the same percentage of the State General Fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

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

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

Proposition 111

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

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

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

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

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for “qualified capital outlay projects” as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (then nine cents per gallon), sales and use taxes

on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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

Proposition 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase

in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

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

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

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

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

Proposition 30

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

The revenues generated from the temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98” and “— Proposition 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases were deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA were and will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to

community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full-time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

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

Proposition 2

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

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

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

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

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in fiscal year 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times

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

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures – 2026-27 State Budget" for information regarding the triggering of the reserve cap in fiscal year 2026-27.

Reserve for Economic Uncertainty. The District is required to maintain a reserve for economic uncertainties equal to at least 2% of General Fund expenditures and other financing uses. The Board has expressed a goal of maintaining reserves above 10%; however, due to the District's current fiscal challenges, reserves have declined below that level.

On June 30, 2025, the District had an unassigned reserve for economic uncertainties of \$19,669,200, or 2.00% of General Fund expenditures and other financing uses, which satisfies the District's minimum required reserve of 2%. In addition, as of June 30, 2025, the District had committed \$38,863,324, or 3.95% of General Fund expenditures and other financing uses, for fiscal stabilization to address the structural budget imbalances described herein. Together, the District's committed and unassigned General Fund reserves totaled \$58,532,524, or 5.95% of General Fund expenditures and other financing uses, as of June 30, 2025. The District's unaudited results for fiscal year 2025-26 include a reserve for economic uncertainties of \$17,758,700 or 2.00% of General Fund expenditures. See "DISTRICT FINANCIAL INFORMATION - Budget Procedures – *Structural Budget Imbalances and Fiscal Stabilization Plans*" herein.

Proposition 2 (Facilities)

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

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

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

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

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

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SANTA ANA UNIFIED SCHOOL DISTRICT

Introduction

The District, established in 1888, is comprised of 24 square miles located in northern Orange County. The District serves the residents in portions of the Cities of Santa Ana, Irvine, Newport Beach, Costa Mesa, Orange, Tustin and adjacent unincorporated areas of the County and provides education services in twenty-six elementary schools, nine TK-8 schools, six intermediate schools and eight high schools. In addition, the District includes four educational options secondary schools, a deaf and hard of hearing center for grades K-6, one early childhood education center, one child development center and one virtual academy remote learning school. The District also operates one charter school, Advanced Learning Academy (“ALA”), and there are four additional charter schools operating within the District. Enrollment for ALA is budgeted to be 369.65 students for fiscal year 2026-27. The ADA for the District as of the 2026-27 adopted budget is 29,334.97 students and the District has a 2026-27 total assessed valuation of \$47,204,920,209. The audited financial statements for the District for the fiscal year ended June 30, 2025 are attached hereto as APPENDIX B.

Board of Education

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

SANTA ANA UNIFIED SCHOOL DISTRICT Board of Education

Name	Office	Trustee Area	Term Expires December
Katelyn Brazer Aceves	President	4	2026
Hector Bustos	Vice President	5	2026
Alfonso Alvarez. Ed.D.	Clerk	3	2028
Brenda Lebsack	Member	1	2028
Valerie Magdaleno	Member	2	2028

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Key Personnel

The following is a listing of the key administrative personnel of the District and a brief biography of the Superintendent follows.

Name	Title
Lorraine M. Perez, Ed.D.	Superintendent of Schools
Bianca Barquin	Assistant Superintendent, Teaching and Learning
Edward Bustamante	Assistant Superintendent, Student Services
Jennifer A. Flores	Associate Superintendent, Human Resources
Ron Hacker	Associate Superintendent/Chief Business Official, Business Services

Lorraine Perez, Ed.D., Superintendent of Schools. Dr. Perez has served as the Superintendent of Schools of the District since July 1, 2025. Dr. Perez joined the District in 2020 and served as the Deputy Superintendent, Educational Services. Prior to the District, Dr. Perez served as the Director of Elementary Instruction and, later, the Assistant Superintendent of Student Services and Educational Services with the San Bernardino City Unified School District. Dr. Perez began her career in education as a teacher and has a total of 19 years of experience in public education, having also served as a principal at both Fontana Unified School District and Baldwin Park Unified School District, and as an adjunct professor at the University of La Verne.

Employees and Labor Relations

The District employs approximately 2,105 full-time equivalent (“FTE”) certificated academic professionals, approximately 1,086 FTE classified employees, and approximately 348 FTE management/supervisor/confidential employees.

The certificated employees of the District have assigned the Santa Ana Educators’ Association (“SAEA”) as their exclusive bargaining agent. The contract between the District and SAEA expires on June 30, 2028.

The classified employees have assigned California School Employees Association and its Santa Ana Chapter 41 (“CSEA”) as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2028.

District Retirement Systems

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

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

Benefit provisions and employer contributions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. For fiscal year 2026-27, the District is currently required by such statutes to contribute 19.10% of eligible salary expenditures, while participants contribute

either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.828% of teacher payroll for fiscal year 2026-27. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria, and a contribution of 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

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

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

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

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

The District contributed \$57,734,356 to STRS for fiscal year 2021-22, \$68,327,183 for fiscal year 2022-23, \$66,083,615 for fiscal year 2023-24, \$70,033,408 for fiscal year 2024-25 and \$94,087,491 for fiscal year 2025-26 per the unaudited actual results. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of \$95,215,114 to STRS for fiscal year 2026-27. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees’ Retirement Law. The District is currently required to contribute to PERS at an actuarially determined rate, which is 26.40% of eligible salary expenditures for fiscal year 2026-27, while Classic Members contribute at a rate established by statute which is 7% of their respective salaries, and PEPRA Members contribute at an actuarially determined rate which is 8.00% of their respective salaries. See –“California Public Employees’ Pension Reform Act of 2013” below.

On April 13, 2026, the PERS Board adopted the fiscal year 2026-27 contribution rate for school districts of 26.40% and released its school employer projected contribution rates as follows:

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

⁽¹⁾As of June 30, 2025.

Recent Investment Returns. From its Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which was PERS’ first negative return on investments since fiscal year 2008-09. However, PERS Basic Financial Statements for fiscal years ended June 30, 2023, June 30, 2024 and June 30, 2025 reported investment returns of 6.1%, 9.5% and 11.6%, respectively. Most recently, on July 12, 2026, PERS reported a preliminary investment return of 14.8% for the fiscal year ended June 30, 2026.

The District contributed \$25,852,105 to PERS for fiscal year 2021-22, \$35,082,647 for fiscal year 2022-23, \$41,042,523 for fiscal year 2023-24, \$45,028,847 for fiscal year 2024-25 and \$43,272,095 for fiscal year 2025-26 per the unaudited actual results, which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution of \$41,479,391 to PERS for fiscal year 2026-27. In addition, the District contributed \$520,234 to the PERS Safety Risk Pool for fiscal year 2021-22, \$575,958 for fiscal year 2022-23, \$602,193 for fiscal year 2023-24 and \$637,681 for fiscal year 2024-25. The District has budgeted a contribution of \$1,714,415 to the PERS Safety Risk Pool for fiscal year 2026-27.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially determined accrued liability for PERS and STRS as of June 30, 2025.

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

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	\$141,195	\$ 104,452	\$(35,743)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	395,525	349,525	(75,038)

⁽¹⁾ Amounts may not add due to rounding.

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

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

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

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

The District’s proportionate shares of the net pension liability of STRS and PERS (including the PERS Safety Risk Pool), as reported in the District’s audited financial statements as of June 30, 2025 (based on a measurement date of June 30, 2024), are as shown in the following table.

<u>Pension Plan</u>	<u>District’s Proportionate Share of Net Pension Liability</u>
STRS	\$345,223,613
PERS	275,878,825
CalPERS -Safety Risk Pool	<u>5,202,814</u>
Total	\$626,305,252

Source: The District’s audited financial statements for fiscal year ended June 30, 2025.

For further information about the District’s contributions to PERS and STRS, see Note 16 in the District’s audited financial statements for fiscal year ended June 30, 2025 attached hereto as APPENDIX B.

School districts’ retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current or future financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District’s contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to financial market conditions such as recession or inflation.

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Supplemental Early Retirement Plans

During fiscal year 2024-25, the District offered a supplemental early retirement incentive plan through the Public Agency Retirement System (the “2025 SERP”) to eligible employees who retired on or before June 30, 2025. The District set aside \$12.6 million in fiscal year 2025-26 and has set aside \$8.4 million in fiscal year 2026-27 toward benefit payments under the 2025 SERP which are scheduled to be paid over five years beginning July 1, 2025.

In August 2026, the Board approved another supplemental early retirement incentive plan (the “2026 SERP”) to certain eligible classified employees to be offered during fiscal year 2026-27, as well as a service-credit retirement to eligible certificated employees. The estimated cost of the 2026 SERP has not yet been determined as it depends on employee participation rates. See “DISTRICT FINANCIAL INFORMATION – Budget Procedures - Structural Budget Imbalances and Fiscal Stabilization Plans” for more information on District actions to address fiscal challenges.

Other Post-Employment Benefits

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

Employees who are eligible to receive retiree employment benefits other than pensions (“Health & Welfare Benefits”) while in retirement must meet specific criteria, *i.e.*, age and years with the District. Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units. As of a June 30, 2023, valuation date, 605 inactive employees were receiving Health & Welfare Benefits, and 4,359 active employees were earning service credit towards eligibility. These participant counts may have changed as a result of the District’s fiscal stabilization measures, including workforce reductions. See “DISTRICT FINANCIAL INFORMATION - Budget Procedures - Structural Budget Imbalances and Fiscal Stabilization Plans.”

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The following table shows the changes in the District's total Health and Welfare Benefits liability for the measurement period ended June 30, 2024, as reported in the District's audited financial statements for fiscal year ended June 30, 2025. After deducting plan fiduciary net position of \$51,730,513, the District's net OPEB liability for its Health and Welfare Benefits plan was \$220,615,813 (or \$222,614,493 including the District's proportionate share of the STRS Medicare Premium Payment Program net OPEB liability).

**Total Health and Welfare Benefits Liability
Measurement Period Ended June 30, 2024**

Balance at July 1, 2023	\$265,375,388
Service Cost	10,212,120
Interest	12,295,774
Differences between expected and actual	1,807,932
Benefit payments	(13,920,354)
Change in assumptions	<u>(3,424,534)</u>
Net Change in Total Health and Welfare Benefits Liability	<u>6,970,938</u>
Balance at June 30, 2024	\$272,346,326
 Plan Fiduciary Net Position	 (51,730,513)
 Net Health and Welfare Benefits Liability	 \$220,615,813

Source: The District's audited financial statements for fiscal year ended June 30, 2025.

Risk Management and Joint Powers Agencies

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. The District self-insures for workers' compensation claims up to \$1 million and has excess coverage through Alliance of Schools for Cooperative Insurance ("ASCIP"). The District also contracts with ASCIP for property and liability coverage up to \$5 million. Excess property and liability coverage is provided through Schools Excess Liability Fund ("SELF"). Both ASCIP and SELF are joint powers authorities. The relationship between the District and the joint powers authorities is such that the joint powers authorities are not a component unit of the District for financial reporting purposes.

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

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District Debt Structure

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

SANTA ANA UNIFIED SCHOOL DISTRICT Long-Term Debt

	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
General obligation bonds	\$500,577,034	\$9,802,976	\$(14,119,000)	\$496,261,010	\$12,831,000
Premium on issuance	20,879,581	--	(1,933,857)	18,945,724	--
Certificates of Participation	52,968,240	1,298,344	(4,580,049)	49,686,535	4,701,724
Premium on issuance	1,668,945	--	(130,048)	1,538,897	--
Construction Loan	5,401,719	--	(1,698,618)	3,703,101	1,800,532
Leases	496,503	--	(146,174)	350,329	155,527
SBITAs	735,943	963,442	(1,198,905)	500,480	287,761
Compensated absences	64,917,421	4,486,590	--	69,404,011	15,448,863
Supplemental early retirement plan (SERP)	7,874,556	20,340,660	(3,937,278)	24,277,938	8,005,410
Claims liability	<u>17,796,939</u>	<u>6,015,761</u>	<u>(4,992,779)</u>	<u>18,819,921</u>	<u>4,992,779</u>
TOTAL	\$673,316,881	\$42,907,773	\$(32,736,708)	\$683,487,946	\$48,223,596

Source: *The District*.

General Obligation Bonds. On November 2, 1999, the District received authorization to issue \$145,150,000 principal amount of general obligation bonds (the "1999 Authorization"). Pursuant to the 1999 Authorization, the District issued its \$56,320,000 General Obligation Bonds, Election of 1999, Series 2000 (the "Series 2000 Bonds"), its \$38,000,000 General Obligation Bonds, Election of 1999, Series 2002 and its \$50,828,155.60 General Obligation Bonds, Election of 1999, Series 2002B ("2002B Bonds"). The District also issued its \$49,775,000 2009 General Obligation Refunding Bonds (the "2009 Refunding Bonds") to refund a portion of the Series 2000 Bonds, its \$12,290,000 2010 General Obligation Refunding Bonds and its \$19,720,000 2012 General Obligation Refunding Bonds, each to refund a portion of the outstanding 2002B Bonds (the "2012 Refunding Bonds"). On April 4, 2019, the District issued its \$25,965,000 2019 General Obligation Refunding Bonds to refund a portion of the 2009 Refunding Bonds. On May 13, 2022, the District issued its \$17,386,000 2022 General Obligation Refunding Bonds to refund a portion of the outstanding 2012 Refunding Bonds.

The District received authorization from the voters within the District to issue \$200,000,000 aggregate principal amount of general obligation bonds pursuant to an authorization on June 3, 2008 (the "2008 Authorization"). On August 19, 2008, the District caused the issuance of its \$99,997,856 Election of 2008 General Obligation Bonds, Series A (the "2008 Series A Bonds"), on December 16, 2009, the District issued its \$34,861,114.25 Election of 2008 General Obligation Bonds, Series B and its \$19,240,000 Election of 2008 General Obligation Bonds, Series C (Qualified School Construction Bonds) and on December 13, 2010, the District issued its \$8,591,011.05 Election of 2008 General Obligation Bonds, Series D, its \$19,775,000 Election of 2008 General Obligation Bonds, Series E (Federally Taxable Direct-Pay - Build America Bonds), and its \$17,535,000 Election of 2008 General Obligation Bonds, Series F (Federally Taxable Direct-Pay - Qualified School Construction Bonds) under the 2008 Authorization. On May 16, 2018, the District issued its \$66,985,000 2018 General Obligation Refunding Bonds to refund a portion of the outstanding 2008 Series A Bonds. No additional general obligation bonds remain for issuance under the 1999 Authorization or the 2008 Authorization, except for refunding bonds.

On November 6, 2018, the District received authorization to issue \$232,000,000 aggregate principal amount of general obligation bonds (the “2018 Authorization”). On May 7, 2019, the District issued \$60,000,000 of its General Obligation Bonds, 2018 Election, 2019 Series A, on January 21, 2021, the District issued its \$80,000,000 General Obligation Bonds, 2018 Election, 2021 Series B, and on November 30, 2022, the District issued its \$92,000,000 General Obligation Bonds, 2018 Election, 2022 Series C pursuant to the 2018 Authorization. No additional general obligation bonds remain for issuance under the 2018 Authorization.

On November 5, 2024, the District received authorization to issue \$355,000,000 aggregate principal amount of general obligation bonds (the “2024 Authorization”). The Bonds are the first series of general obligation bonds to be issued pursuant to the 2024 Authorization. Subsequent to the issuance of the Bonds, \$255,000,000 aggregate principal amount of general obligation bonds will remain for issuance under the 2024 Authorization.*

Certificates of Participation. On October 1, 1999, the District caused the execution and delivery of \$17,691,700.20 principal amount of its 1999 Certificates of Participation (the “1999 Certificates”) in order to finance the construction of two elementary schools. The 1999 Certificates have a final maturity date of April 1, 2037 and, as of June 30, 2025, were outstanding in the principal amount of \$19,106,535 (including accreted interest).

On June 14, 2007, the District executed and delivered \$29,725,000 aggregate principal amount of 2007 Certificates of Participation (the “2007 Certificates”) in order to finance the acquisition and construction of certain infrastructure improvements and equipment and to refinance certain lease obligations. On May 24, 2018, District executed and delivered \$19,165,000 of its 2018 Refunding Certificates of Participation (the “2018 Refunding Certificates”) which prepaid the outstanding 2007 Certificates in full. As of June 30, 2025, the 2018 Refunding Certificates were outstanding in the principal amount of \$15,860,000.

On December 5, 2012, the District caused the execution and delivery of \$30,000,000 aggregate principal amount of 2012 Certificates of Participation Qualified Zone Academy Bonds – Direct Payment Subsidy Option (Federally Taxable) in order to finance certain facilities projects. The 2012 Certificates have a final maturity date of December 1, 2035 and, as of June 30, 2025, were outstanding in the principal amount of \$14,720,000.

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* Preliminary, subject to change.

Lease Purchase Agreement The District entered into a Lease Purchase Agreement to finance various construction and modernization projects in a maximum available amount of \$15,000,000. The Lease Purchase Agreement matures December 1, 2026 and bears interest at a rate of 2.29%. As of June 30, 2026, the Lease Purchase Agreement was outstanding in a principal amount of \$1,902,569.27. The annual lease payments with respect to the District's outstanding certificates of participation and Lease Purchase Agreement are as follows:

Year Ending June 30	1999 Certificates	2012 Certificates	Lease Purchase Agreement	2018 Refunding Certificates	Total
2027	\$2,938,332.80	\$1,944,155.00	\$1,924,353.69	\$1,299,150.00	\$8,105,991.49
2028	3,024,543.40	1,893,373.75	--	1,765,650.00	6,683,567.15
2029	3,115,000.00	1,837,430.00	--	1,767,400.00	6,719,830.00
2030	3,206,421.25	1,781,180.00	--	1,771,400.00	6,759,001.25
2031	3,296,417.45	1,719,555.00	--	1,767,400.00	6,783,372.45
2032	3,395,000.00	1,657,680.00	--	1,770,650.00	6,823,330.00
2033	993,534.95	1,599,080.00	--	1,765,650.00	4,358,264.95
2034	1,034,490.60	1,538,620.00	--	1,762,650.00	4,335,760.60
2035	1,071,953.40	1,477,640.00	--	1,766,400.00	4,315,993.40
2036	460,000.00	1,421,010.00	--	2,311,400.00	4,192,410.00
2037	--	--	--	<u>2,525,400.00</u>	<u>2,525,400.00</u>
Total	\$22,535,693.85	\$16,869,723.75	\$1,924,353.69	\$20,273,150.00	\$61,602,921.29

Subscriptions-Based Information Technology Arrangements

The District has entered into Subscriptions-Based Information Technology Arrangements ("SBITAs") for the use of various software. As of June 30, 2025, the District recognized a net right-to-use subscriptions IT asset of \$644,346 and an SBITA liability of \$500,480. During fiscal year 2024-25, the District recorded \$701,439 in amortization expense. The District is required to make annual principal and interest payments through 2027. The subscriptions have interest rates ranging from 2.47% to 6.24%.

Short-Term Debt

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

Cyber Security

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

The District is not aware of any major cybersecurity attack or breach of its systems during the last five years. However, in recent years, some employee accounts were compromised due to phishing activity. The District investigated these incidents and determined that unauthorized access occurred. The District provided notice to affected individuals, secured accounts, and implemented additional protections to reduce

the risk of recurrence. Following these incidents, the District strengthened its cybersecurity controls, including implementing multifactor authentication for all staff, strengthening password and account security requirements, enhancing email security and monitoring, improving detection and response capabilities, and providing additional cybersecurity awareness and phishing prevention training. The District continues to review and enhance its cybersecurity safeguards based on evolving threats and recognized industry best practices.

The District currently maintains a policy of cyber liability insurance. There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

Charter Schools

The District operates one charter school and authorizes four charter schools to operate within its boundaries. In addition, there is currently a petition pending with the District by a County-authorized charter school for authorization by the District. There are also other independent charter schools operating within the District that are authorized by either the County or the State, but the District cannot make any representations as to those charter schools. The District also can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from charter schools, and the corresponding financial impact on the District. See “DISTRICT FINANCIAL INFORMATION – ADA and Enrollment.”

ORANGE COUNTY POOLED INVESTMENT FUND

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

The County Board of Supervisors (the “County Board”) approved the current County Investment Policy (the “Investment Policy”) on December 16, 2025 (see APPENDIX E – “ORANGE COUNTY INVESTMENT POLICY”). The Investment Policy provides the structure for the prudent investment of funds in the County Treasury and identifies the responsibilities of the County Investment Manager, which is with the County Executive Office. The primary goal 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 District’s funds held by the County Treasurer are invested in the Orange County Educational Investment Pool (the “Pool”) which pools all of the school district funds in the County. As of June 30, 2026, the balance of the District’s funds was \$378,153,000 or 5% of the Pool. As of June 30, 2026, the Pool has a weighted average maturity of 709 days and earned a net yield of 3.99% in June 2026.

The following represents the composition of the Pool as of June 30, 2026:

Type of Investment	Market Value (In Thousands)	Percentage of Pool
U.S Treasuries	\$2,330,143	14.96%
U.S. Government Agencies	10,367,952	66.55
Medium Term Notes	1,214,961	7.80
Money Market Mutual Funds	1,594,874	10.24
Local Agency Investment Fund	<u>70,396</u>	<u>0.45</u>
TOTAL	\$15,578,326	100.00%

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 9 months following the end of the District’s fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2025-26 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District will enter into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

Within the last five years, the District has not failed to comply with the Rule.

The District has engaged Keygent LLC to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

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

Limitation on Remedies; Amounts Held in the County Treasury Pool

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

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

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

California Senate Bill 222

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

TAX MATTERS

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the “Tax Certificate”) of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

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

future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

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

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

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

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

The initial offering price of certain Bonds (the “Premium Bonds”), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized

for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

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

LEGALITY FOR INVESTMENT

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

RATING

Moody's Investors Service dba Moody's Ratings ("Moody's") has assigned its municipal bond rating of "Aa3" to the Bonds. Such rating reflects only the views of the rating agency and an explanation of the significance of such ratings may be obtained as follows: Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

METHOD OF SALE

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

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

ABSENCE OF MATERIAL LITIGATION

Absence of Pending or Threatened Litigation Relating to the Bonds. No litigation is pending or threatened, nor is any audit or investigation known to be premised on any assertion, concerning or contesting the validity of the Bonds, or contesting the District's ability to issue the Bonds. The District is not aware of any litigation pending or threatened, nor is any audit or investigation known to be premised on any assertion, questioning the political existence of the District or contesting the title to the offices of District officers who will execute the Bonds or District officials who will sign certifications relating to the

Bonds, or the powers of those officers. A certificate (or certificates) to that effect will be furnished to the Underwriter (defined herein) at the time of the original delivery of the Bonds.

Absence of Material Litigation. The District is subject to lawsuits and claims that arise in the regular course of operating as a public school district. In the opinion of the District, the aggregate amount of uninsured liabilities of the District under existing lawsuits and claims will not materially affect the financial position or operations of the District. The District has a risk management program pursuant to which it obtains insurance policies to minimize its potential exposures and liabilities. Pursuant to Assembly Bill 218 (“AB 218”), which became effective on January 1, 2020, certain changes have been made to the claim prerequisites, available damages and the applicable statute of limitations periods for claims of childhood sexual abuse, including claims against public entities like the District. The District has two pending claims under AB 218; however, if such claims are resolved against the District, they are expected to be covered by insurance. The District maintains liability coverage and risk management protections through ASCIP and Schools Excess Liability Fund (“SELF”) for claims under AB 218. To the extent that a final settlement or judgment falls within a District self-insured retention (“SIR”) limit of \$1,000,000 or should liability exceed available insurance limits, the District would fund its obligations using unrestricted General Fund reserves; however, such expenditures would not affect the District’s ability to pay debt service on the Bonds, which is payable solely from ad valorem property taxes levied for such purpose.

Any expenses or liabilities that may be incurred by the District relating to the AB 218 claims, including those resulting from a final court decision or settlement agreement, will not have a materially adverse effect on the District’s ability to repay the Bonds, which are payable solely from the *ad valorem* property tax levied for such purpose. For more information on insurance coverage, see “SANTA ANA UNIFIED SCHOOL DISTRICT – Risk Management and Joint Powers Agencies” herein. The District cannot predict what claims or lawsuits may arise in the future.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Santa Ana Unified School District 1601 East Chestnut Avenue, Santa Ana, California 92701.

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

_____, 2026

Board of Education
Santa Ana Unified School District
1601 East Chestnut Avenue
Santa Ana, California 92701

Re: \$ _____ Santa Ana Unified School District (Orange County, California)
 General Obligation Bonds, 2024 Election, 2026 Series A

Members of the Board:

We have acted as bond counsel for the Santa Ana Unified School District (Orange County, California) (the “District”), in connection with the issuance by the District of \$ _____ aggregate principal amount of the District’s General Obligation Bonds, 2024 Election, 2026 Series A (the “Bonds”). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended, applicable provisions of the Education Code of the State and that certain resolution adopted by the Board of Education of the District on September 22, 2026 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

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

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

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

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

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

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

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

Dannis Woliver Kelley

APPENDIX B

**SANTA ANA UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2025**

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Financial Statements
June 30, 2025

Santa Ana Unified School District

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Independent Auditor's Report

To the Governing Board
Santa Ana Unified School District
Santa Ana, 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 the Santa Ana 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 the Santa Ana 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.

Correction of an Error

As discussed in Note 19 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for unearned revenue as of June 30, 2024, were required to be restated due to change within the financial reporting entity. Accordingly, a restatement has been made to the fund balance of the Child Development Fund and governmental activities net position as of July 1, 2024, to correct the error. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 19 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net 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 proportionate share of the net pension liability - CalPERS: Safety Risk Pool, schedule of the District's contributions - CalSTRS, schedule of the District's contributions - CalPERS, and schedule of the District's contributions - CalPERS: Safety Risk Pool 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 December 15, 2025 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 15, 2025



Santa Ana Unified School District

Lorraine M. Perez, Ed.D.
Superintendent of Schools

This section of Santa Ana 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 District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. 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 Santa Ana Unified School District.

1601 East Chestnut Avenue, Santa Ana, CA 92701-6322 (714) 558-5501 Fax: (714) 558-5610

BOARD OF EDUCATION

Hector Bustos, President • Katelyn Brazer Aceves, Vice President
Valerie Magdaleno, Clerk • Alfonso Alvarez, Ed.D., Member • Brenda Lebsack, Member

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, liabilities, and deferred inflows 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 report the District activities as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide financial statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary 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 our funds receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity. 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 \$254,839,782 for the fiscal year ended June 30, 2025, reflecting a decrease of 40% since June 30, 2024. Of this amount, \$(757,514,957) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that 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	\$ 549,336,804	\$ 704,363,727
Capital assets	1,127,597,935	1,118,099,151
Total assets	1,676,934,739	1,822,462,878
Deferred Outflows of Resources	303,727,598	330,116,841
Liabilities		
Current liabilities	86,056,400	107,822,586
Long-term liabilities	1,532,407,691	1,562,008,000
Total liabilities	1,618,464,091	1,669,830,586
Deferred Inflows of Resources	107,358,464	57,602,838
Net Position		
Net investment in capital assets	716,110,635	699,039,662
Restricted	296,244,104	313,198,472
Unrestricted (deficit)	(757,514,957)	(587,091,839)
Total net position	\$ 254,839,782	\$ 425,146,295

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. However, amounts have been restated for the effects of the correction of an error. See Note 19 for further information.

Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased to \$(757,514,957) compared to \$(587,091,839).

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	\$ 5,265,351	\$ 10,548,307
Operating grants and contributions	260,529,826	299,494,777
Capital grants and contributions	1,371,291	9,017,892
General revenues		
Federal and State aid not restricted	383,898,060	417,056,476
Property taxes	261,348,456	249,624,250
Other general revenues	30,816,454	37,106,905
Total revenues	<u>943,229,438</u>	<u>1,022,848,607</u>
Expenses		
Instruction-related	692,530,171	703,886,975
Pupil services	141,008,545	140,506,385
Administration	84,107,349	54,325,834
Plant services	90,660,654	95,587,830
Interest on long-term liabilities	25,433,318	25,949,909
All other functional expenses	19,934,665	19,289,769
Total expenses	<u>1,053,674,702</u>	<u>1,039,546,702</u>
Change in net position	<u>\$ (110,445,264)</u>	<u>\$ (16,698,095)</u>

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. However, amounts have been restated for the effects of the correction of an error. See Note 19 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 \$1,053,674,702. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$261,348,456 because the cost was paid by those who benefited from the programs (\$5,265,351) or by other governments and organizations who subsidized certain programs with grants and contributions (\$261,901,117). We paid for the remaining "public benefit" portion of our governmental activities with \$414,714,514 in State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, interest on long-term liabilities, and all other functional expenses. 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	\$ 692,530,171	\$ 703,886,975	\$ (532,118,694)	\$ (510,949,950)
Pupil services	141,008,545	140,506,385	(87,189,277)	(82,878,762)
Administration	84,107,349	54,325,834	(75,779,636)	(47,124,761)
Plant services	90,660,654	95,587,830	(71,864,185)	(59,802,590)
Interest on long-term liabilities	25,433,318	25,949,909	(25,433,318)	(25,949,909)
All other functional expenses	19,934,665	19,289,769	5,876,876	6,220,246
Total	\$ 1,053,674,702	\$ 1,039,546,702	\$ (786,508,234)	\$ (720,485,726)

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. However, amounts have been restated for the effects of the correction of an error. See Note 19 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$417,398,318, which is a decrease of \$149,408,136 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2024 as Restated*	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General Fund	\$ 364,174,326	\$ 838,695,782	\$ 984,421,898	\$ 218,448,210
Child Development Fund	4,894,010	23,817,049	22,942,430	5,768,629
Building Fund	56,020,372	2,969,351	10,033,392	48,956,331
Capital Facilities Fund	43,559,105	9,887,948	3,034,859	50,412,194
Bond Interest and Redemption Fund	48,329,936	31,761,782	28,945,053	51,146,665
Student Activity Fund	2,281,861	2,853,748	2,940,204	2,195,405
Charter School Fund	3,151,934	6,749,038	8,994,670	906,302
Cafeteria Fund	9,306,753	41,153,807	41,405,106	9,055,454
Deferred Maintenance Fund	492,582	75,952	442	568,092
County School Facilities Fund	24,971,049	1,371,290	5,918,783	20,423,556
Special Reserve Fund for Capital Outlay Projects	8,769,797	2,328,038	2,567,950	8,529,885
Capital Project Fund for Blended Component Units	633,061	36,712	20,830	648,943
Debt Service Fund for Blended Component Units	221,668	8,027,131	7,910,147	338,652
Total	\$ 566,806,454	\$ 969,727,628	\$ 1,119,135,764	\$ 417,398,318

* Amounts have been restated for the effects of the correction of an error. See Note 19 for further information.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2025. (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 83.)

The key differences between the original budget, final budget, and actual results is attributable to:

- Re-allocation of categorical program carryover from the prior year. As has been the practice of the District, Santa Ana Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget does not include revenues or expenditures related to categorical carryover, while the final budget and actual results reflects these carryovers.
- Adjusted revenue and expenditures to project spending amounts and carryovers for current year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had \$1,127,597,935 in a broad range of capital assets (net of depreciation and amortization), including land and construction in progress, land improvements, buildings and improvements, furniture and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, and depreciation and amortization) of \$9,498,784, or 0.8%, from last year (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 249,524,195	\$ 350,248,639
Land improvements	71,926,326	50,310,636
Buildings and improvements	763,652,618	686,293,974
Furniture and equipment	38,972,998	26,139,528
Right-to-use leased assets	323,505	471,130
Right-to-use subscription IT assets	3,198,293	4,635,244
Total	\$ 1,127,597,935	\$ 1,118,099,151

This year's changes in capital assets are related mostly to new furniture, equipment, and several construction projects.

We present more detailed information about our capital assets in Note 7 to Financial Statements.

Long-Term Liabilities other than Other Postemployment Benefits (OPEB) and Pension

At the end of this year, the District had \$683,487,946 in long-term liabilities other than OPEB and pension versus \$613,455,632 last year. The obligations consisted of:

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	\$ 496,261,010	\$ 500,577,034
Premium on issuance	18,945,724	20,879,581
Certificates of participation	49,686,535	52,968,240
Premium on issuance	1,538,897	1,668,945
Construction loan	3,703,101	5,401,719
Leases	350,329	496,503
Subscription-based IT arrangements	500,480	735,943
Compensated absences	69,404,011	5,056,172
Supplemental early retirement plan (SERP)	24,277,938	7,874,556
Claims liability	18,819,921	17,796,939
Total	<u>\$ 683,487,946</u>	<u>\$ 613,455,632</u>

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 19 for further information.

The State limits the amount of general obligation debt that unified school districts can issue to 2.5% of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$500.6 million is below the statutorily-imposed limit.

We present more detailed information regarding our long-term liabilities in Note 11 to Financial Statements.

OPEB and Pension Liabilities

At year-end, the District had \$222,614,493 in net OPEB liability versus \$219,263,315 last year, an increase of \$3,351,178 or 1.5%. We present more detailed information regarding our pension liability in Note 12 to Financial Statements.

At year-end, the District had \$626,305,252 in aggregate net pension liability versus \$729,289,053 last year, a decrease of \$102,983,801 or 14.1%. We present more detailed information regarding our pension liability in Note 16 to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Several economic factors could impact California school district funding and the District's budget in the next fiscal year:
- Long-term Declining Enrollment: Lower birth rates and increased migration have resulted in long-term declining enrollment for SAUSD.
- Revenue Uncertainties: Although proposition 98 guarantees have improved, California is still facing a significant structural budget deficit, and this may impact the District.
- Federal Issues: The Federal government has signaled their intent to reduce some categorical revenue sources; if they make these reductions, it will negatively impact the District's budget.

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 Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322.

Santa Ana Unified School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Deposits and investments	\$ 468,684,548
Receivables	73,816,328
Prepaid expenses	506,007
Stores inventories	3,885,751
Lease receivables	293,066
Long-term receivables	2,151,104
Capital assets not depreciated or amortized	249,524,195
Capital assets, net of accumulated depreciation and amortization	<u>878,073,740</u>
Total assets	<u>1,676,934,739</u>
Deferred Outflows of Resources	
Deferred charge on refunding	328,861
Deferred outflows of resources related to OPEB	52,897,181
Deferred outflows of resources related to pensions	<u>250,501,556</u>
Total deferred outflows of resources	<u>303,727,598</u>
Liabilities	
Accounts payable	66,724,827
Accrued interest payable	6,149,389
Unearned revenue	13,182,184
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	48,223,596
Long-term liabilities other than OPEB and pensions due in more than one year	635,264,350
Net other postemployment benefits (OPEB) liability due in more than one year	222,614,493
Aggregate net pension liability	<u>626,305,252</u>
Total liabilities	<u>1,618,464,091</u>
Deferred Inflows of Resources	
Deferred amount on refunding	641,705
Deferred inflows of resources related to OPEB	14,361,887
Deferred inflows of resources related to pensions	92,090,825
Deferred inflows of resources related to leases	<u>264,047</u>
Total deferred inflows of resources	<u>107,358,464</u>
Net Position	
Net investment in capital assets	716,110,635
Restricted for	
Debt service	45,335,928
Capital projects	71,987,965
Educational programs	139,823,800
Other activities	39,096,411
Unrestricted (deficit)	<u>(757,514,957)</u>
Total net position	<u>\$ 254,839,782</u>

Santa Ana Unified School District

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 559,620,530	\$ 1,721,880	\$ 125,571,525	\$ 1,371,291	\$ (430,955,834)
Instruction-related activities					
Supervision of instruction	70,694,458	334,271	26,987,955	-	(43,372,232)
Instructional library, media, and technology	8,465,268	22,445	1,419,711	-	(7,023,112)
School site administration	53,749,915	31,574	2,950,825	-	(50,767,516)
Pupil services					
Home-to-school transportation	19,171,086	15,857	302,940	-	(18,852,289)
Food services	40,079,122	857,516	38,721,749	-	(499,857)
All other pupil services	81,758,337	237,079	13,684,127	-	(67,837,131)
Administration					
Data processing	8,290,862	-	-	-	(8,290,862)
All other administration	75,816,487	67,325	8,260,388	-	(67,488,774)
Plant services	90,660,654	475,246	18,321,223	-	(71,864,185)
Ancillary services	14,224,577	367	3,540,406	-	(10,683,804)
Community services	370,646	-	10	-	(370,636)
Enterprise services	207,605	4,459	224,045	-	20,899
Interest on long-term liabilities	25,433,318	-	-	-	(25,433,318)
Other outgo	5,131,837	1,497,332	20,544,922	-	16,910,417
Total governmental activities	<u>\$ 1,053,674,702</u>	<u>\$ 5,265,351</u>	<u>\$ 260,529,826</u>	<u>\$ 1,371,291</u>	<u>(786,508,234)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					227,744,942
Property taxes, levied for debt service					27,272,434
Taxes levied for other specific purposes					6,331,080
Federal and State aid not restricted to specific purposes					383,898,060
Interest and investment earnings					21,209,561
Miscellaneous					9,606,893
Subtotal, general revenues and subventions					<u>676,062,970</u>
Change in Net Position					(110,445,264)
Net Position - Beginning, as previously reported					424,793,055
Adjustments (Note 19)					(59,508,009)
Net Position - Beginning, as restated					<u>365,285,046</u>
Net Position - Ending					<u>\$ 254,839,782</u>

Santa Ana Unified School District

Balance Sheet – Governmental Funds

June 30, 2025

	General Fund	Child Development Fund	Building Fund	Capital Facilities Fund
Assets				
Deposits and investments	\$ 210,110,225	\$ 15,101,602	\$ 50,504,420	\$ 50,205,160
Receivables	65,977,069	363,482	163,686	190,701
Due from other funds	5,030,358	52	-	378,550
Prepaid expenditures	386,653	-	-	-
Stores inventories	936,760	-	-	-
Lease receivables	293,066	-	-	-
Total assets	\$ 282,734,131	\$ 15,465,136	\$ 50,668,106	\$ 50,774,411
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 52,315,313	\$ 1,219,290	\$ 1,660,768	\$ 362,217
Due to other funds	5,666,673	1,336,246	51,007	-
Unearned revenue	6,039,888	7,140,971	-	-
Total liabilities	64,021,874	9,696,507	1,711,775	362,217
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	264,047	-	-	-
Fund Balances				
Nonspendable	1,473,413	-	-	-
Restricted	133,270,987	5,768,629	48,956,331	50,412,194
Committed	38,863,324	-	-	-
Assigned	25,171,286	-	-	-
Unassigned	19,669,200	-	-	-
Total fund balances	218,448,210	5,768,629	48,956,331	50,412,194
Total liabilities, deferred inflows of resources, and fund balances	\$ 282,734,131	\$ 15,465,136	\$ 50,668,106	\$ 50,774,411

Santa Ana Unified School District

Balance Sheet – Governmental Funds

June 30, 2025

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and investments	\$ 50,685,607	\$ 41,346,599	\$ 417,953,613
Receivables	461,058	5,672,700	72,828,696
Due from other funds	-	2,463,724	7,872,684
Prepaid expenditures	-	1,641	388,294
Stores inventories	-	2,948,991	3,885,751
Lease receivables	-	-	293,066
Total assets	\$ 51,146,665	\$ 52,433,655	\$ 503,222,104
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 5,646,029	\$ 61,203,617
Due to other funds	-	4,120,012	11,173,938
Unearned revenue	-	1,325	13,182,184
Total liabilities	-	9,767,366	85,559,739
Deferred Inflows of Resources			
Deferred inflows of resources related to leases	-	-	264,047
Fund Balances			
Nonspendable	-	2,952,492	4,425,905
Restricted	51,146,665	31,647,558	321,202,364
Committed	-	568,092	39,431,416
Assigned	-	7,498,147	32,669,433
Unassigned	-	-	19,669,200
Total fund balances	51,146,665	42,666,289	417,398,318
Total liabilities, deferred inflows of resources, and fund balances	\$ 51,146,665	\$ 52,433,655	\$ 503,222,104

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

Total Fund Balance - Governmental Funds	\$ 417,398,318
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	\$ 1,775,171,944
Accumulated depreciation and amortization is	<u>(647,574,009)</u>
Net capital assets	1,127,597,935
Receivables related to the settlement are not received in the near term (within a year) and therefore, are not reported as receivables in the Governmental Funds.	2,151,104
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.	(6,149,389)
An internal service fund is used by the District's management to charge the costs of the workers' compensation and property and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.	30,796,403
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	
Deferred charge on refunding	328,861
Net other postemployment benefits (OPEB) liability	52,897,181
Aggregate net pension liability	<u>250,501,556</u>
Total deferred outflows of resources	303,727,598
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	
Deferred charge on refunding	(641,705)
Net OPEB liability	(14,361,887)
Aggregate net pension liability	<u>(92,090,825)</u>
Total deferred inflows of resources	(107,094,417)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(626,305,252)

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

The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. \$ (222,614,493)

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	\$ (401,142,563)
Unamortized premium on issuance of bonds	(18,945,724)
Certificates of participation	(34,598,636)
Unamortized premium on issuance of certificates	(1,538,897)
Construction loan	(3,703,101)
Leases	(350,329)
Subscription-based IT arrangements	(500,480)
Compensated absences	(69,404,011)
Supplemental early retirement plan (SERP)	(24,277,938)

In addition, the District has issued 'capital appreciation' general obligation bonds and certificates of participation. The accretion of interest on those bonds and certificates to date is the following

Accumulated accretion on general obligation bonds	(95,118,447)
Accumulated accretion on certificates of participation	(15,087,899)

Total long-term liabilities (664,668,025)

Total net position - governmental activities \$ 254,839,782

Santa Ana Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2025

	General Fund	Child Development Fund	Building Fund	Capital Facilities Fund
Revenues				
Local Control Funding Formula (LCFF)	\$ 588,892,405	\$ -	\$ -	\$ -
Federal sources	37,578,126	-	-	-
Other State sources	158,237,290	22,888,966	-	-
Other local sources	53,024,519	928,031	2,969,351	9,887,948
Total revenues	837,732,340	23,816,997	2,969,351	9,887,948
Expenditures				
Current				
Instruction	545,701,697	16,514,036	-	-
Instruction-related activities				
Supervision of instruction	70,102,287	1,185,718	-	-
Instructional library, media, and technology	8,352,702	-	-	-
School site administration	55,356,045	629,605	-	-
Pupil services				
Home-to-school transportation	19,179,389	-	-	-
Food services	2,424,025	-	-	-
All other pupil services	82,187,869	1,388,701	-	-
Administration				
Data processing	12,025,201	-	-	-
All other administration	53,459,606	1,100,200	-	13,480
Plant services	83,057,708	18,018	38,012	46,745
Ancillary services	11,494,694	-	-	-
Community services	375,054	-	-	-
Other outgo	5,131,837	-	-	-
Enterprise services	51,734	-	-	-
Facility acquisition and construction	28,265,921	2,106,152	9,995,380	1,171,766
Debt service				
Principal	1,345,079	-	-	-
Interest and other	44,131	-	-	-
Total expenditures	978,554,979	22,942,430	10,033,392	1,231,991
Excess (Deficiency) of Revenues over Expenditures	(140,822,639)	874,567	(7,064,041)	8,655,957
Other Financing Sources (Uses)				
Transfers in	-	52	-	-
Other sources - SBITAs	963,442	-	-	-
Transfers out	(5,866,919)	-	-	(1,802,868)
Net Financing Sources (Uses)	(4,903,477)	52	-	(1,802,868)
Net Change in Fund Balances	(145,726,116)	874,619	(7,064,041)	6,853,089
Fund Balance - Beginning, as previously reported	364,174,326		56,020,372	
Adjustments (Note 19)	-	4,894,010	-	43,559,105
Fund Balance - Beginning, as restated	364,174,326	4,894,010	56,020,372	43,559,105
Fund Balance - Ending	<u>\$ 218,448,210</u>	<u>\$ 5,768,629</u>	<u>\$ 48,956,331</u>	<u>\$ 50,412,194</u>

Santa Ana Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2025

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula (LCFF)	\$ -	\$ 5,282,900	\$ 594,175,305
Federal sources	2,039,409	31,537,512	71,155,047
Other State sources	69,270	8,992,913	190,188,439
Other local sources	29,653,103	7,493,934	103,956,886
Total revenues	<u>31,761,782</u>	<u>53,307,259</u>	<u>959,475,677</u>
Expenditures			
Current			
Instruction	-	5,238,045	567,453,778
Instruction-related activities			
Supervision of instruction	-	1,038,624	72,326,629
Instructional library, media, and technology	-	-	8,352,702
School site administration	-	1,054,299	57,039,949
Pupil services			
Home-to-school transportation	-	-	19,179,389
Food services	-	38,993,699	41,417,724
All other pupil services	-	467,169	84,043,739
Administration			
Data processing	-	-	12,025,201
All other administration	-	1,967,844	56,541,130
Plant services	-	1,129,941	84,290,424
Ancillary services	-	3,028,713	14,523,407
Community services	-	-	375,054
Other outgo	-	-	5,131,837
Enterprise services	-	179,641	231,375
Facility acquisition and construction	-	7,131,288	48,670,507
Debt service			
Principal	14,119,000	6,278,667	21,742,746
Interest and other	14,826,053	1,631,480	16,501,664
Total expenditures	<u>28,945,053</u>	<u>68,139,410</u>	<u>1,109,847,255</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,816,729</u>	<u>(14,832,151)</u>	<u>(150,371,578)</u>
Other Financing Sources (Uses)			
Transfers in	-	9,288,457	9,288,509
Other sources - SBITAs		-	963,442
Transfers out	-	(1,618,722)	(9,288,509)
Net Financing Sources (Uses)	<u>-</u>	<u>7,669,735</u>	<u>963,442</u>
Net Change in Fund Balances	2,816,729	(7,162,416)	(149,408,136)
Fund Balance - Beginning, as previously reported		146,258,516	566,453,214
Adjustments (Note 19)	48,329,936	(96,429,811)	353,240
Fund Balance - Beginning, as restated	<u>48,329,936</u>	<u>49,828,705</u>	<u>566,806,454</u>
Fund Balance - Ending	<u>\$ 51,146,665</u>	<u>\$ 42,666,289</u>	<u>\$ 417,398,318</u>

Santa Ana Unified School District

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

Total Net Change in Fund Balances - Governmental Funds \$ (149,408,136)

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

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

Capital outlay	\$	56,653,594
Depreciation and amortization expense		<u>(47,154,810)</u>

Net expense adjustment		9,498,784
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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.

(963,442)

The collection of revenues related to the long-term receivable are revenues in the governmental funds, but reduce the long-term receivable in the Statement Net Position and do not affect the Statement of Activities.

(1,075,553)

In the Statement of Activities, certain operating expenses - compensated absences and special termination benefits (early retirement) 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 year, special termination benefits paid were less than the amounts earned by \$16,403,382. Compensated absences earned was more than the amounts used by \$4,486,590.

(20,889,972)

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.

33,405,801

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

(10,020,726)

Santa Ana Unified School District

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

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances

Amortization of debt premium	\$ 2,063,905	
Amortization of deferred charge on refunding	<u>(8,745)</u>	
Combined adjustment		\$ 2,055,160

Payments 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	14,119,000	
Certificates of participation	4,580,049	
Construction loan	1,698,618	
Leases	146,174	
Subscription-based IT arrangements	<u>1,198,905</u>	
Combined adjustment		21,742,746

Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of the two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by \$114,506, and second, \$11,101,320 of additional interest was accreted on the District's capital appreciation general obligation bonds and certificates of participation.

(10,986,814)

An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net change of the Internal Service Fund is reported with governmental activities.

16,196,888

Change in net position of governmental activities \$ (110,445,264)

Santa Ana Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2025

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 50,730,935
Receivables	987,632
Due from other funds	3,341,468
Prepaid expenses	<u>117,713</u>
Total current assets	<u>55,177,748</u>
Liabilities	
Current liabilities	
Accounts payable	5,521,210
Due to other funds	40,214
Current portion of long-term liabilities	<u>4,992,779</u>
Total current liabilities	<u>10,554,203</u>
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	<u>13,827,142</u>
Total liabilities	<u>24,381,345</u>
Net Position	
Restricted	<u><u>\$ 30,796,403</u></u>

Santa Ana Unified School District
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Revenues	
Local and intermediate sources	<u>\$ 46,543,744</u>
Operating Expenses	
Payroll costs	17,754,958
Supplies and materials	154,674
Other operating cost	<u>14,818,695</u>
Total operating expenses	<u>32,728,327</u>
Operating income	<u>13,815,417</u>
Nonoperating Revenues	
Interest income	1,796,015
Fair market value adjustments	<u>585,456</u>
Total nonoperating revenues	<u>2,381,471</u>
Change in Net Position	16,196,888
Total Net Position - Beginning	<u>14,599,515</u>
Total Net Position - Ending	<u><u>\$ 30,796,403</u></u>

Santa Ana Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2025

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Cash receipts from customers	\$ 51,703,429
Other operating cash receipts	17,939
Cash receipts from other suppliers of goods or services	2,157,176
Cash payments to employees for services	(17,779,665)
Other operating cash payments	<u>(13,795,713)</u>
Net Cash Provided by Operating Activities	<u>22,303,166</u>
Investing Activities	
Interest on investments	1,759,473
Fair market value adjustments	<u>585,456</u>
Net Cash Provided by Investing Activities	<u>2,344,929</u>
Net Increase in Cash and Cash Equivalents	24,648,095
Cash and Cash Equivalents - Beginning	<u>26,082,840</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 50,730,935</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 13,815,417
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Receivables	204,624
Due from other funds	4,973,000
Prepaid expenses	46,949
Accounts payable	2,264,901
Due to other fund	(24,707)
Claims liability	<u>1,022,982</u>
Net Cash Provided by Operating Activities	<u><u>\$ 22,303,166</u></u>

Santa Ana Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2025

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 1,321,097</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 1,321,097</u>

Santa Ana Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2025

	<u>Custodial Funds</u>
Additions	
Contributions	
Special tax assessment	<u>\$ 690,914</u>
Deductions	
Payments to investors	546,869
Other expenses	<u>95,366</u>
Total deductions	<u>642,235</u>
Change in Fiduciary Net Position	48,679
Total Net Position - Beginning	<u>1,272,418</u>
Net Position - Ending	<u><u>\$ 1,321,097</u></u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Santa Ana Unified School District (the District) was organized in 1888 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 31 elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and four alternative high schools.

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 the 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 unit described below has 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 unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Ana Unified School District Public Facilities Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property, and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term liabilities.

The Corporation's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

Other Related Entities

Charter School The District has approved Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Academy, El Sol Santa Ana Science and Arts Academy, NOVA Academy Early College High, and Advanced Learning Academy pursuant to *Education Code* Section 47605. The Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Academy, El Sol Santa Ana Science and Arts Academy, and NOVA Academy Early College High are direct-funded and are not considered component units of the District. The Charter Schools are independent of the District, but subject to periodic charter renewal by the District. The Advanced Learning Academy is operated by the District, and its financial activity is presented in the Charter School Fund.

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.

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

As a result, the General Fund reflects an increase in fund balance of \$1,765,290.

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.

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.

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).

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

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.
- **Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing districts General Fund.
- **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).

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

Capital Projects Fund for Blended Component Units The Capital Projects Fund for Blended Component Units 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).

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.

- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units fund is used for the accumulation of resources for and the retirement of principal and interest on debt issued by entities that are considered blended component units of the District under 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 fund:

- **Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a property and liability, dental, vision, and workers' compensation self-insurance fund 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.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District has no trust funds. 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 fund is used to account for property taxes received from the Community Facilities District (CFD).

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the activities of the District and for each governmental function and exclude 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 and 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 the cafeteria special revenue fund 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 the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations

with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Cash and Cash Equivalents

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

Investments

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

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

Stores inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average 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 \$5,000 and \$20,000 for federally funded and non-federally funded assets, respectively. 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 15 to 20; years, and vehicles, eight years. Land is not depreciated.

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

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

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 two to eight years.

Lease Receivable

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

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 columns 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 never paid for any sick leave balance at termination of employment or 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, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums, discounts, and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums and discounts, 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, discounts, 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, for pension related items, and for OPEB 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 deferred charge on refunding of debt, deferred inflows of resources related to leases, for pension related items, and for OPEB related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and 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 total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

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

Subscription Liabilities

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Stabilization Arrangement

The governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, seven percent of the annual operating expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty. At June 30, 2025, \$38,863,324 of the fund balance for the General Fund is reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$296,244,104 of net position restricted by enabling legislation.

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 is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

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 19.

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 activities	\$ 468,684,548
Fiduciary funds	<u>1,321,097</u>
Total deposits and investments	<u><u>\$ 470,005,645</u></u>

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

Cash on hand and in banks	\$ 9,503,703
Cash with fiscal agent	1,341,017
Cash in revolving	654,659
Investments	<u>458,506,266</u>
Total deposits and investments	<u><u>\$ 470,005,645</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds and Notes	N/A	None	None
Registered State Bonds and Notes	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Agency Securities	N/A	None	None
Farmer Credit System Bonds and Notes	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Federal Home Loan Bank System Obligations	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Obligations	N/A	None	None
U.S. Maritime Administration Obligations	N/A	None	None
U.S. Department of Housing and Urban Development Bonds and Notes	N/A	None	None
Money Market Funds	N/A	None	None
Deposit Accounts, Time Certificates of Deposit, Negotiable Certificates of Deposit	180 days	None	None
Commercial Paper	270 days	None	None
Federal Funds and Bankers Acceptance	365 days	None	None
Repurchase Agreement	30 days	None	None
Investment Agreement	N/A	None	None
Prefunded Municipal Bonds	N/A	None	None
State Investment Fund	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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	Average Maturity in Days/ Maturity Date
Orange County Treasury Investment Pool	\$ 458,506,223	273 days
Invesco Government and Agency Money Market Fund	43	28 days
Total	<u>\$ 458,506,266</u>	

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. 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.

The investment in the Orange County Treasury Investment Pool is not required to be rated nor have they been rated. The investment in Invesco Government and Agency Money Market Fund has been rated Aaa-mf by Moody's rating service as of June 30, 2025.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, the District's bank balance of \$9,287,818 was exposed to custodial credit risk because it was uninsured and uncollateralized and \$1,321,097 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2025:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs
Invesco Government and Agency Money Market Fund	\$ 43	\$ 43
Investments not measured for fair value or subject to fair value hierarchy		
Orange County Treasury Investment Pool	458,506,223	
Total investments	\$ 458,506,266	

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

Note 4 - 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	Child Development Fund	Building Fund	Capital Facilities Fund
Federal Government				
Categorical aid	\$ 8,071,199	\$ -	\$ -	\$ -
State Government				
LCFF apportionment	26,882,297	-	-	-
Categorical aid	17,621,789	304,356	-	-
Lottery	2,591,449	-	-	-
Local Government				
Interest	2,462,830	59,126	163,686	160,900
Other Local Sources	8,347,505	-	-	29,801
Total	\$ 65,977,069	\$ 363,482	\$ 163,686	\$ 190,701
	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government				
Categorical aid	\$ -	\$ 3,719,764	\$ -	\$ 11,790,963
State Government				
LCFF apportionment	-	349,194	-	27,231,491
Categorical aid	-	1,061,930	-	18,988,075
Lottery	-	26,334	-	2,617,783
Local Government				
Interest	461,058	128,309	143,228	3,579,137
Other Local Sources	-	387,169	844,404	9,608,879
Total	\$ 461,058	\$ 5,672,700	\$ 987,632	\$ 73,816,328

Note 5 - Lease Receivables

Cellular Tower Antenna Sites

The District leases a portion of its facilities for cellular tower antenna sites. These licenses are non-cancelable for a period of five years, with one optional renewal period of five years. The agreements allow for 3.00% annual CPI increases to the license payments. At termination, lessees must remove all equipment and restore the site to its original state. During the year ended June 30, 2025, the District recognized \$105,647 in lease revenue and \$21,917 in interest revenue related to these agreements. At June 30, 2025, the District recorded \$293,066 in lease receivables and \$264,047 deferred inflows of resources for these arrangements. The District used an interest rate of 6.24%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Note 6 - Long-Term Receivables

The long-term receivable relates to the legal settlement between the District and various charter schools for their equitable share contribution to the District-wide excess special education costs. The terms of the settlement require the charter schools to make installments equal to at least 20% of the total amount owed in January of 2023, 2024, 2025, 2026, and 2027. The balance of the long-term receivable as of June 30, 2025 is \$2,151,104.

Note 7 - Capital Assets

Capital asset 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	\$ 152,003,691	\$ -	\$ -	\$ 152,003,691
Construction in progress	198,244,948	37,781,012	(138,505,456)	97,520,504
Total capital assets not being depreciated or amortized	350,248,639	37,781,012	(138,505,456)	249,524,195
Capital assets being depreciated and amortized				
Land improvements	110,813,154	26,505,322		137,318,476
Buildings and improvements	1,212,817,617	111,892,745		1,324,710,362
Furniture and equipment	37,484,950	18,016,529	(28,100)	55,473,379
Right-to-use leased furniture and equipment	830,140		(81,113)	749,027
Right-to-use subscription IT assets	8,462,055	963,442	(2,028,992)	7,396,505
Total capital assets being depreciated and amortized	1,370,407,916	157,378,038	(2,138,205)	1,525,647,749
Total capital assets	1,720,656,555	195,159,050	(140,643,661)	1,775,171,944
Accumulated depreciation and amortization				
Land improvements	(60,502,518)	(4,889,632)		(65,392,150)
Buildings and improvements	(526,523,643)	(34,534,101)		(561,057,744)
Furniture and equipment	(11,345,422)	(5,183,059)	28,100	(16,500,381)
Right-to-use leased furniture and equipment	(359,010)	(147,625)	81,113	(425,522)
Right-to-use subscription IT assets	(3,826,811)	(2,400,393)	2,028,992	(4,198,212)
Total accumulated depreciation and amortization	(602,557,404)	(47,154,810)	2,138,205	(647,574,009)
Net depreciable and amortizable capital assets	767,850,512	110,223,228	-	878,073,740
Governmental activities capital assets, net	\$ 1,118,099,151	\$ 148,004,240	\$ (138,505,456)	\$ 1,127,597,935

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

Governmental Activities	
Instruction	\$ 33,834,455
Supervision of instruction	2,206,469
Instructional library, media, and technology	320,013
All other pupil services	2,478,861
Data processing	348,993
All other administration	3,263,714
Plant services	4,702,305
	<u> </u>
Total depreciation and amortization expense governmental activities	<u>\$ 47,154,810</u>

Note 8 - 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 To	Due From					Total
	General Fund	Child Development Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 1,231,645	\$ 31,580	\$ 3,726,919	\$ 40,214	\$ 5,030,358
Child Development Fund	52	-	-	-	-	52
Capital Facilities Fund	378,550	-	-	-	-	378,550
Non-Major Governmental Funds	2,459,939	3,785	-	-	-	2,463,724
Internal Service Fund	2,828,132	100,816	19,427	393,093	-	3,341,468
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 5,666,673</u>	<u>\$ 1,336,246</u>	<u>\$ 51,007</u>	<u>\$ 4,120,012</u>	<u>\$ 40,214</u>	<u>\$ 11,214,152</u>

A balance of \$1,231,645 due to the General Fund from the Child Development Fund resulted from indirect costs and reimbursement of operating costs.

A balance of \$1,954,540 due to the General Fund from the Charter School Non-Major Governmental Fund resulted from indirect costs and reimbursement of operating costs.

A balance of \$1,772,379 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect costs and reimbursement of operating costs.

A balance of \$378,550 due to the Capital Facilities Fund from the General Fund resulted from reimbursement of project costs.

A balance of \$2,386,317 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from allocation of in-lieu property taxes and various categorical funds.

A balance of \$2,828,132 due to the Internal Service Fund from the General Fund resulted from insurance premiums.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

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

Transfer To	Transfer From			Total
	General Fund	Capital Facilities Fund	Non-Major Governmental Fund	
Child Development Fund	\$ 52	\$ -	\$ -	\$ 52
Non-Major Governmental Funds	5,866,867	1,802,868	1,618,722	9,288,457
Total	<u>\$ 5,866,919</u>	<u>\$ 1,802,868</u>	<u>\$ 1,618,722</u>	<u>\$ 9,288,509</u>
The General Fund transferred to the Child Development Fund for subsidy for non-certified family fees.				\$ 52
The General Fund transferred to the Charter School Non-Major Governmental Fund for special education allocation.				223,563
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for reimbursement of operating costs.				34,703
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for solar energy savings.				1,546,402
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.				4,062,199
The Capital Facilities Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for the reimbursement of interest payment on lease.				1,802,868
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for future debt service payments.				<u>1,618,722</u>
Total				<u>\$ 9,288,509</u>

Note 9 - Accounts Payable

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

	General Fund	Child Development Fund	Building Fund	Capital Facilities Fund
Salaries and benefits	\$ 20,202,662	\$ 531,616	\$ 95,656	\$ -
Due to CDE	469,498	-	-	-
Other vendor payables	31,643,153	687,674	1,565,112	362,217
Total	<u>\$ 52,315,313</u>	<u>\$ 1,219,290</u>	<u>\$ 1,660,768</u>	<u>\$ 362,217</u>
		Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits		\$ 952,333	\$ 5,734	\$ 21,788,001
Due to CDE		-	-	469,498
Other vendor payables		4,693,696	5,515,476	44,467,328
Total		<u>\$ 5,646,029</u>	<u>\$ 5,521,210</u>	<u>\$ 66,724,827</u>

Note 10 - Unearned Revenue

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

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 1,322,630	\$ -	\$ 542	\$ 1,323,172
State categorical aid	3,537,133	7,140,971	783	10,678,887
Other local	1,180,125	-	-	1,180,125
Total	<u>\$ 6,039,888</u>	<u>\$ 7,140,971</u>	<u>\$ 1,325</u>	<u>\$ 13,182,184</u>

Note 11 - 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	\$ 500,577,034	\$ 9,802,976	\$ (14,119,000)	\$ 496,261,010	\$ 12,831,000
Premium on issuance	20,879,581	-	(1,933,857)	18,945,724	-
Certificates of participation	52,968,240	1,298,344	(4,580,049)	49,686,535	4,701,724
Premium on issuance	1,668,945	-	(130,048)	1,538,897	-
Construction loan	5,401,719	-	(1,698,618)	3,703,101	1,800,532
Leases	496,503	-	(146,174)	350,329	155,527
Subscription-based IT arrangements	735,943	963,442	(1,198,905)	500,480	287,761
Compensated absences	64,917,421	4,486,590	-	69,404,011	15,448,863
Supplemental early retirement plan (SERP)	7,874,556	20,340,660	(3,937,278)	24,277,938	8,005,410
Claims liability	17,796,939	6,015,761	(4,992,779)	18,819,921	4,992,779
Total	<u>\$ 673,316,881</u>	<u>\$ 42,907,773</u>	<u>\$ (32,736,708)</u>	<u>\$ 683,487,946</u>	<u>\$ 48,223,596</u>

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

Payments made on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation and the construction loan are made by the Debt Service Fund for Blended Component Units. The leases and subscription-based IT arrangements will be paid by the General Fund. The supplemental early retirement plan (SERP) will be paid by the General Fund. The claims liability is paid from the Internal Service Fund.

Santa Ana Unified School District

Notes to Financial Statements

June 30, 2025

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Accreted	Redeemed	Bonds Outstanding June 30, 2025
10/30/02	08/01/32	2.68-5.53%	\$ 50,828,156	\$ 33,067,742	\$ 1,752,445	\$ (3,515,000)	\$ 31,305,187
08/06/08	08/01/33	3.50-5.51%	99,997,856	4,299,523	200,477	(4,500,000)	-
11/20/09	08/01/47	6.54-7.337%	34,861,114	100,165,769	7,850,054	-	108,015,823
11/20/09	09/15/26	5.91%	19,240,000	19,240,000	-	-	19,240,000
12/02/10	08/01/28	6.45%	17,535,000	17,535,000	-	-	17,535,000
12/02/10	08/01/41	6.80-7.10%	19,775,000	19,775,000	-	-	19,775,000
04/18/18	08/01/33	3.00-5.00%	66,985,000	64,570,000	-	(240,000)	64,330,000
04/04/19	08/01/48	3.00-5.00%	60,000,000	46,600,000	-	-	46,600,000
04/04/19	08/01/29	3.00-5.00%	25,965,000	16,915,000	-	(2,490,000)	14,425,000
01/21/21	08/01/50	2.00-5.00%	80,000,000	71,550,000	-	(260,000)	71,290,000
05/13/22	08/01/33	2.16%	17,386,000	14,859,000	-	(1,614,000)	13,245,000
11/30/22	08/01/48	4.00-5.00%	92,000,000	92,000,000	-	(1,500,000)	90,500,000
				<u>\$ 500,577,034</u>	<u>\$ 9,802,976</u>	<u>\$ (14,119,000)</u>	<u>\$ 496,261,010</u>

Debt Service Requirements to Maturity

The bonds mature through 2051 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest at Maturity	Total
2026	\$ 12,737,048	\$ 93,952	\$ 14,487,017	\$ 27,318,017
2027	32,815,170	274,830	13,755,998	46,845,998
2028	14,554,744	447,256	13,163,318	28,165,318
2029	35,414,424	1,181,576	12,608,004	49,204,004
2030	21,564,724	1,579,227	10,856,323	34,000,274
2031-2035	95,015,928	21,950,437	43,799,353	160,765,718
2036-2040	76,975,657	62,287,826	32,960,894	172,224,377
2041-2045	91,754,385	86,955,201	22,058,409	200,767,995
2046-2050	86,973,930	66,483,788	10,137,184	163,594,902
2051	28,455,000	-	310,250	28,765,250
Total	<u>\$ 496,261,010</u>	<u>\$ 241,254,093</u>	<u>\$ 174,136,750</u>	<u>\$ 911,651,853</u>

Certificates of Participation

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2024	Accreted	Redeemed	Outstanding June 30, 2025
10/1/99	04/01/36	3.60-6.25%	\$ 17,691,700	\$ 20,573,240	\$ 1,298,344	\$ (2,765,049)	\$ 19,106,535
12/5/12	12/01/35	4.25-5.20%	30,000,000	16,020,000	-	(1,300,000)	14,720,000
4/25/18	04/01/37	3.50-5.00%	19,165,000	16,375,000	-	(515,000)	15,860,000
				<u>\$ 52,968,240</u>	<u>\$ 1,298,344</u>	<u>\$ (4,580,049)</u>	<u>\$ 49,686,535</u>

Debt Service Requirements to Maturity

The certificates of participation mature through 2037 as follows:

Year Ending June 30,	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2026	\$ 4,532,743	\$ 168,981	\$ 1,446,124	\$ 6,147,848
2027	4,480,496	337,835	1,363,305	6,181,636
2028	4,898,253	506,291	1,279,024	6,683,568
2029	4,879,924	675,076	1,164,830	6,719,830
2030	4,869,383	847,039	1,042,580	6,759,002
2031-2035	19,846,992	3,519,405	3,250,325	26,616,722
2036-2037	6,178,744	226,256	312,810	6,717,810
Total	<u>\$ 49,686,535</u>	<u>\$ 6,280,883</u>	<u>\$ 9,858,998</u>	<u>\$ 65,826,416</u>

Construction Loan

In December 2016, the District obtained a long-term loan to fund various construction and modernization projects. The loan will mature on December 1, 2026, with interest rate of 2.29%. At June 30, 2025, the outstanding balance on the loan was \$3,703,101.

Future payments are as follows:

Year Ending June 30,	Principal	Current Interest	Total
2026	\$ 1,800,532	\$ 64,185	\$ 1,864,717
2027	1,902,569	21,784	1,924,353
Total	<u>\$ 3,703,101</u>	<u>\$ 85,969</u>	<u>\$ 3,789,070</u>

Leases

The District has entered into agreements to lease various equipment. As of June 30, 2025, the District recognized a net right-to-use asset of \$323,505 and a lease liability of \$350,329 related to these agreements. During the fiscal year, the District recorded \$147,625 in amortization expense. The District is required to make principal and interest payments through April 2028. The lease agreements have an interest rate of 6.24%.

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 155,527	\$ 17,474	\$ 173,001
2027	165,516	7,485	173,001
2028	29,286	546	29,832
Total	<u>\$ 350,329</u>	<u>\$ 25,505</u>	<u>\$ 375,834</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITAs for the use of various software. At June 30, 2025, the District has recognized a net right-to-use subscriptions IT asset of \$644,346 and a SBITA liability of \$500,480 related to these agreements. During the fiscal year, the District recorded \$701,439 in amortization expense. The District is required to make annual principal and interest payments through 2027. The subscriptions have interest rates ranging from 2.47% to 6.24%.

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	\$ 287,761	\$ 17,031	\$ 304,792
2027	212,719	6,398	219,117
Total	<u>\$ 500,480</u>	<u>\$ 23,429</u>	<u>\$ 523,909</u>

Supplemental Early Retirement Plan

The District offered a supplemental early retirement incentive plan through the Public Agency Retirement System (PARS) in a prior year. The plan was offered to eligible employees who retired on or before June 30, 2018. The District purchased an annuity through PARS for the employees. Benefit payments are scheduled to be paid over five years beginning July 1, 2018. The District also offered a supplemental early retirement incentive plan in the current year. The plan was offered to eligible employees who retired on or before June 30, 2025. The District purchased an annuity for the employees. Benefit payments are scheduled to be paid over five years beginning July 1, 2025. Future payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2026	\$ 8,005,410
2027	4,068,132
2028	4,068,132
2029	4,068,132
2030	4,068,132
Total	<u>\$ 24,277,938</u>

Claims Liability

Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of \$18,819,921 were discounted at a rate of 0.5% and were accepted as estimated by the District's administrator. See Note 15 for additional details.

Note 12 - Net Other Postemployment Benefit (OPEB) Liability

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

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 220,615,813	\$ 52,897,181	\$ 14,361,887	\$ 24,133,998
Medicare Premium Payment (MPP) Program	1,998,680	-	-	(588,735)
Total	<u>\$ 222,614,493</u>	<u>\$ 52,897,181</u>	<u>\$ 14,361,887</u>	<u>\$ 23,545,263</u>

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is an agent multi-employer defined benefit plan that is used to provide other postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District. Financial information for CalPERS can be found on the CalPERS website at <https://www.calpers.ca.gov/page/forms-publications>.

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	605
Active employees	<u>4,359</u>
	<u><u>4,964</u></u>

Benefits Provided

The Plan provides medical and dental 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.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Ana Educators' Association (SAEA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions are based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, SAEA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2024, the District contributed \$13,920,354 to the Plan, all of which was used for current premiums. The District contributed \$13,524,537 to the Plan during the current fiscal year.

Net OPEB Liability of the District

The District's net OPEB liability of \$220,615,813 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 components of the net OPEB liability of the District at June 30, 2024, were as follows:

Total OPEB liability	\$ 272,346,326
Plan fiduciary net position	<u>(51,730,513)</u>
District's net OPEB liability	<u><u>\$ 220,615,813</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>18.99%</u></u>

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	2.50%
Salary increases	2.75%, average, including inflation
Investment rate of return	4.82% for 2024, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00%

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

The long-term expected rate of return on OPEB plan investment was determined using a rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
All equities	23%	7.545%
All fixed income	51%	4.250%
Real estate investment trusts	14%	7.250%
All commodities	3%	7.250%
Treasury inflation protected securitie	9%	3.000%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2023 (Measurement Date)	\$ 265,375,388	\$ 48,699,488	\$ 216,675,900
Service cost	10,212,120	-	10,212,120
Interest	12,295,774	-	12,295,774
Contributions-employer	-	13,920,354	(13,920,354)
Expected investment income	-	2,799,774	(2,799,774)
Difference between projected and actual earnings on OPEB plan investments	-	246,795	(246,795)
Differences between expected and actual experience in the measurement of the net OPEB liability	1,807,932	-	1,807,932
Changes of assumptions	(3,424,534)	-	(3,424,534)
Benefit payments	(13,920,354)	(13,920,354)	-
Administrative expense	-	(15,544)	15,544
Net change in total OPEB liability	6,970,938	3,031,025	3,939,913
Balance at June 30, 2024 (Measurement Date)	\$ 272,346,326	\$ 51,730,513	\$ 220,615,813

The changes of assumptions reflects a change in investment rate of return from 4.65% in 2023 to 4.82% in 2024.

Sensitivity of the Net OPEB Liability to Changes in the Investment Rate of Return

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using an investment rate of return that is one percent lower or higher than the current rate:

<u>Investment Rate of Return</u>	<u>Net OPEB Liability</u>
1% decrease (3.82%)	\$ 241,096,924
Current investment rate of return (4.82%)	220,615,813
1% increase (5.82%)	202,105,125

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

The following presents the net OPEB liability of the District, as well as what the District's net 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:

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 192,132,676
Current healthcare cost trend rate (4.00%)	220,615,813
1% increase (5.00%)	253,427,103

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflow of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$24,133,998. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 13,524,537	\$ -
Changes of assumptions	19,468,347	12,857,742
Difference between projected and actual earnings on OPEB plan investments	3,661,306	-
Differences between expected and actual experience in the measurement of the net OPEB liability	16,242,991	1,504,145
Total	<u>\$ 52,897,181</u>	<u>\$ 14,361,887</u>

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the net OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred outflow/(inflows) of Resources</u>
2026	\$ 4,445,943
2027	5,316,885
2028	3,552,529
2029	3,152,205
2030	3,201,564
Thereafter	5,341,631
	<u>\$ 25,010,757</u>

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: <https://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 \$1,998,680 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 0.7498%, and 0.8527%, resulting in a net decrease in the proportionate share of 0.1029%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(588,735).

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%)	\$ 2,156,523
Current discount rate (3.93%)	1,998,680
1% increase (4.93%)	1,859,880

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 1,851,562
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	1,998,680
1% increase (6.00% Part A and 7.50% Part B)	2,162,928

Note 13 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended 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 \$5,400,000 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 14 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Child Development Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable							
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 1,860	\$ 151,860
Stores inventories	936,760	-	-	-	-	2,948,991	3,885,751
Prepaid expenditures	386,653	-	-	-	-	1,641	388,294
Total nonspendable	1,473,413	-	-	-	-	2,952,492	4,425,905
Restricted							
Legally restricted programs	133,270,987	5,768,629	-	-	-	2,979,589	142,019,205
Cafeteria program	-	-	-	-	-	6,104,603	6,104,603
Capital projects	-	-	48,956,331	50,412,194	-	22,224,714	121,593,239
Debt services	-	-	-	-	51,146,665	338,652	51,485,317
Total restricted	133,270,987	5,768,629	48,956,331	50,412,194	51,146,665	31,647,558	321,202,364
Committed							
Fiscal stabilization	38,863,324	-	-	-	-	-	38,863,324
Deferred maintenance program	-	-	-	-	-	568,092	568,092
Total committed	38,863,324	-	-	-	-	568,092	39,431,416
Assigned							
Capital projects	-	-	-	-	-	7,377,670	7,377,670
PARS	4,153,828	-	-	-	-	-	4,153,828
Family and community engagement (FACE)	24,985	-	-	-	-	-	24,985
Godinez rental fees	172,543	-	-	-	-	-	172,543
Walker and Roosevelt joint use	400,000	-	-	-	-	-	400,000
E-rate category 2	1,000,000	-	-	-	-	-	1,000,000
Classified school employee	285,379	-	-	-	-	-	285,379
Instructional materials	13,515,088	-	-	-	-	-	13,515,088
Technology refresh	2,159,686	-	-	-	-	-	2,159,686
Special education early intervention	2,984,923	-	-	-	-	-	2,984,923
Third-party reimbursements	101,318	-	-	-	-	-	101,318
Other postemployment benefits	373,536	-	-	-	-	-	373,536
Other assignments	-	-	-	-	-	120,477	120,477
Total assigned	25,171,286	-	-	-	-	7,498,147	32,669,433
Unassigned							
Reserve for economic uncertainties	19,669,200	-	-	-	-	-	19,669,200
Total	\$ 218,448,210	\$ 5,768,629	\$ 48,956,331	\$ 50,412,194	\$ 51,146,665	\$ 42,666,289	\$ 417,398,318

Note 15 - Risk Management

The District's risk management activities are recorded in the Self-Insurance Fund. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District self-insures its exposures for workers' compensation claims up to a \$1 million self-insured retention (SIR) and has obtained excess coverage up to statutory limits through participation in the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District also participates in ASCIP for property and liability coverage up to \$5 million. Excess property and the liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 18 for additional information relating to public entity risk pools.

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.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims 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:

	Workers' Compensation	Property and Liability	Total
Liability Balance, June 30, 2023	\$ 15,839,235	\$ 1,142,083	\$ 16,981,318
Claims and changes in estimates	4,229,058	483,272	4,712,330
Claims payments	(3,545,313)	(351,396)	(3,896,709)
Liability Balance, June 30, 2024	16,522,980	1,273,959	17,796,939
Claims and changes in estimates	4,726,933	1,288,828	6,015,761
Claims payments	(3,962,915)	(1,029,864)	(4,992,779)
Liability Balance, June 30, 2025	<u>\$ 17,286,998</u>	<u>\$ 1,532,923</u>	<u>\$ 18,819,921</u>
Assets available to pay claims at June 30, 2025	<u>\$ 25,253,808</u>	<u>\$ 8,599,846</u>	<u>\$ 33,853,654</u>

Note 16 - 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 net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 345,223,613	\$ 158,977,212	\$ 86,304,028	\$ 31,382,855
CalPERS	275,878,825	89,815,375	5,772,992	49,573,395
CalPERS - Safety Risk Pool	5,202,814	1,708,969	13,805	700,204
Total	<u>\$ 626,305,252</u>	<u>\$ 250,501,556</u>	<u>\$ 92,090,825</u>	<u>\$ 81,656,454</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<https://www.calstrs.com/forms-publications>

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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

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

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were \$70,033,408.

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	\$ 345,223,613
State's proportionate share of the net pension liability	<u>158,389,782</u>
Total	<u><u>\$ 503,613,395</u></u>

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.5140% and 0.5765%, resulting in a net decrease in the proportionate share of 0.0625%.

For the year ended June 30, 2025, the District recognized pension expense of \$31,382,855. In addition, the District recognized pension expense and revenue of \$14,419,537 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	\$ 70,033,408	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	48,383,384	46,237,055
Differences between projected and actual earnings on pension plan investments	-	1,392,963
Differences between expected and actual experience in the measurement of the total pension liability	39,049,235	15,096,434
Changes of assumptions	<u>1,511,185</u>	<u>23,577,576</u>
Total	<u><u>\$ 158,977,212</u></u>	<u><u>\$ 86,304,028</u></u>

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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2026	\$ (23,142,810)
2027	27,872,546
2028	(2,274,061)
2029	<u>(3,848,638)</u>
Total	<u>\$ (1,392,963)</u>

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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2026	\$ 1,894,121
2027	1,088,919
2028	844,059
2029	6,069,223
2030	2,161,578
Thereafter	<u>(8,025,161)</u>
Total	<u>\$ 4,032,739</u>

Actuarial Methods and Assumptions

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.1%

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 614,039,845
Current discount rate (7.10%)	345,223,613
1% increase (8.10%)	120,750,906

California Public Employees Retirement System (CalPERS)**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Safety Risk Pool Actuarial Valuation Report. These reports 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)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.050%	27.050%

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

	Safety Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	3% at 55	2.7% at 57
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	57
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	9.00%	17.00%
Required employer contribution rate	29.300%	29.300%

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 for CalPERS and CalPERS Safety Risk Pool were \$45,028,847 and \$637,681, respectively.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liability totaling \$275,878,825 and \$5,202,814, respectively. 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 CalPERS proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.7719% and 0.7872%, resulting in a net decrease in the proportionate share of 0.0153%. The District's CalPERS Safety Risk Pool's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0714% and 0.0706%, resulting in a net increase in the proportionate share of 0.0008%.

For the year ended June 30, 2025, the District recognized pension expense of \$49,573,395 for CalPERS and \$700,204 for CalPERS Safety Risk Pool. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 45,028,847	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,843,969	3,798,537
Differences between projected and actual earnings on pension plan investments	10,716,299	-
Differences between expected and actual experience in the measurement of the total pension liability	23,128,406	1,974,455
Changes of assumptions	6,097,854	-
Total	<u>\$ 89,815,375</u>	<u>\$ 5,772,992</u>
	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 637,681	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	267,025	-
Differences between projected and actual earnings on pension plan investments	251,480	-
Differences between expected and actual experience in the measurement of the total pension liability	424,596	13,805
Changes of assumptions	128,187	-
Total	<u>\$ 1,708,969</u>	<u>\$ 13,805</u>

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,	CalPERS Deferred Outflows/(Inflows) of Resources
2026	\$ (92,381)
2027	16,661,408
2028	(2,461,929)
2029	(3,390,799)
Total	\$ 10,716,299

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2026	\$ (3,498)
2027	406,694
2028	(65,670)
2029	(86,046)
Total	\$ 251,480

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,	CalPERS Deferred Outflows/(Inflows) of Resources
2026	\$ 14,426,916
2027	9,664,864
2028	4,205,457
Total	<u>\$ 28,297,237</u>

The CalPERS' Safety Risk Pool's EARSL is 3.8 years and will be recognized in pension expense as follows:

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2026	\$ 502,412
2027	219,595
2028	83,996
Total	<u>\$ 806,003</u>

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:

CalPERS	
Net Pension Liability	
Discount Rate	
1% decrease (5.90%)	\$ 409,820,297
Current discount rate (6.90%)	275,878,825
1% increase (7.90%)	165,232,508
CalPERS Safety Risk Pool	
Net Pension Liability	
Discount Rate	
1% decrease (5.90%)	\$ 8,248,341
Current discount rate (6.90%)	5,202,814
1% increase (7.90%)	2,712,001

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.

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 \$31,989,162 (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 17 - 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 the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
District Wide - Measure I DW Furniture Fixtures & Equipment	\$ 56,365	June 2026
Fremont Elementary - Measure I Modernization - Doors, lights, HVAC	2,250,795	February 2026
Monroe Elementary - Measure I Modernization-Doors, lights, HVAC	3,787,555	May 2029
Valley High - Measure I Auditorium Renovation	299,408	October 2025
Valley High - Measure I CTE Automotive	80,523	September 2025
Valley High - Measure I CTE Culinary Arts	89,242	September 2025
Villa Fundamental - Measure I Modernization/SPOE/ESSER HVAC	382,621	October 2025
Nutrition Services - Central Kitchen Walk in Equipment	1,713,294	June 2026
District Wide - District Wide Roof Replacement Project	2,827,289	October 2025
District Wide - Asphalt Replacement Project	1,707,595	October 2025
District Wide - Cantilever Umbrella Structures at various sites	599,108	October 2025
ELOP - Greenville ES - Library Renovation Project	29,719	July 2025
Nutrition Services - Replacement of Kitchen Equipment at Various Sites	71,207	September 2025
	<u>\$ 13,894,721</u>	

Note 18 - Participation in Public Entity Risk Pools

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to the applicable entities for its property and liability coverage, and excess property and liability coverage, respectively. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2025, the District made payments of \$4,574,913 and \$2,877,260 to ASCIP and SELF, respectively, for property and liability coverage, and excess property and liability coverage.

Note 19 - 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, compensated absences current portion and compensated absences noncurrent portion were increased by \$14,090,338 and \$45,770,911, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

Correction of Error in Previously Issued Financial Statements

During the year ended June 30, 2025, the Santa Ana Unified School District determined that there was an error in amounts previously reported in the 2023-2024 financial statements resulting in a restatement of the beginning net position and fund balance. The correction consists of the following and the effect of the correction of the error is shown in the table below.

The District recorded unearned revenue of \$353,240 related to a grant in the Child Development Fund in the 2023-2024 year in error.

Change within the Reporting Entity

During the year ended June 30, 2025, there was a change within the financial reporting entity which resulted in the Child Development Fund, Capital Facilities Fund, and Bond Interest and Redemption Fund being reported as major funds instead of as a part of the nonmajor funds. As a result, fund balance of the Child Development Fund of \$4,540,770, the Capital Facilities Fund of \$43,559,105 and the Bond Interest and Redemption Fund of \$48,329,936 which were previously reported in the nonmajor funds are now reported as major funds with corresponding beginning fund balance in the amounts noted above. This resulted in adjustments to and restatements of beginning fund balance as noted in the table below:

	Governmental Funds			
	Child Development Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Beginning, as previously reported on June 30, 2024	\$ -	\$ -	\$ -	\$ 146,258,516
Error correction	353,240	-	-	-
Change to or within the financial reporting entity	<u>4,540,770</u>	<u>43,559,105</u>	<u>48,329,936</u>	<u>(96,429,811)</u>
Beginning, as restated on July 1, 2024	<u>\$ 4,894,010</u>	<u>\$ 43,559,105</u>	<u>\$ 48,329,936</u>	<u>\$ 49,828,705</u>
Government Activities Net Position				
Beginning, as previously reported on June 30, 2024				\$ 424,793,055
Change in accounting principle				(59,861,249)
Error correction				<u>353,240</u>
Beginning, as restated on July 1, 2024				<u>\$ 365,285,046</u>

The impact of the above restatement related to the errors increased the change in fund balance of the Child Development Fund by \$353,240 for the fiscal year ending June 30, 2024. Additionally, the impact of the above restatement related to the errors increased the change in net position of the governmental activities by \$353,240 for the fiscal year ending June 30, 2024.

Required Supplementary Information
June 30, 2025

Santa Ana Unified School District

Santa Ana Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	\$ 585,498,126	\$ 588,905,477	\$ 588,892,405	\$ (13,072)
Federal sources	40,174,611	40,834,161	37,578,126	(3,256,035)
Other State sources	159,776,388	157,507,169	158,237,290	730,121
Other local sources	33,421,695	47,927,620	53,024,519	5,096,899
Total revenues ¹	818,870,820	835,174,427	837,732,340	2,557,913
Expenditures				
Current				
Certificated salaries	362,689,191	381,039,642	375,685,692	5,353,950
Classified salaries	150,594,413	157,073,321	157,085,216	(11,895)
Employee benefits	264,911,817	265,547,201	257,207,048	8,340,153
Books and supplies	35,979,265	29,888,180	23,288,788	6,599,392
Services and operating expenditures	121,978,216	128,632,899	120,400,742	8,232,157
Other outgo	850,011	2,852,929	2,051,572	801,357
Capital outlay	23,854,865	38,116,914	41,446,711	(3,329,797)
Debt service - principal	-	65,000	1,345,079	(1,280,079)
Debt service - interest	-	5,000	44,131	(39,131)
Total expenditures ¹	960,857,778	1,003,221,086	978,554,979	24,666,107
Deficit of Revenues over Expenditures	(141,986,958)	(168,046,659)	(140,822,639)	27,224,020
Other Financing Sources (Uses)				
Other sources - SBITAs	-	-	963,442	963,442
Transfers out	(5,816,565)	(5,870,010)	(5,866,919)	3,091
Net Financing Uses	(5,816,565)	(5,870,010)	(4,903,477)	966,533
Net Change in Fund Balances	(147,803,523)	(173,916,669)	(145,726,116)	28,190,553
Fund Balances - Beginning	364,174,326	364,174,326	364,174,326	-
Fund Balances - Ending	\$ 216,370,803	\$ 190,257,657	\$ 218,448,210	\$ 28,190,553

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

Santa Ana Unified School District
Budgetary Comparison Schedule – Child Development Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
Revenues				
Other State sources	\$ 25,510,749	\$ 30,415,076	\$ 22,888,966	\$ (7,526,110)
Other local sources	295,000	608,000	928,031	320,031
Total revenues	25,805,749	31,023,076	23,816,997	(7,206,079)
Expenditures				
Current				
Certificated salaries	553,236	689,714	715,763	(26,049)
Classified salaries	9,909,814	10,236,682	10,225,630	11,052
Employee benefits	6,513,130	6,466,565	6,441,994	24,571
Books and supplies	802,561	1,421,112	1,060,301	360,811
Services and operating expenditures	4,284,783	4,539,920	1,348,928	3,190,992
Other outgo	1,240,484	1,302,030	1,100,206	201,824
Capital outlay	2,590,741	4,390,247	2,049,608	2,340,639
Total expenditures	25,894,749	29,046,270	22,942,430	6,103,840
Excess (Deficiency) of Revenues over Expenditures	(89,000)	1,976,806	874,567	(1,102,239)
Other Financing Sources				
Transfers in	-	-	52	52
Net Change in Fund Balances	(89,000)	1,976,806	874,619	(1,102,187)
Fund Balance - Beginning, as previously reported	4,540,770	4,540,770	4,540,770	-
Adjustments (Note 19)	353,240	353,240	353,240	-
Fund Balances - Beginning, as restated	4,894,010	4,894,010	4,894,010	-
Fund Balances - Ending	\$ 4,805,010	\$ 6,870,816	\$ 5,768,629	\$ (1,102,187)

Santa Ana Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 10,212,120	\$ 10,389,611	\$ 11,352,108	\$ 7,937,195
Interest	12,295,774	12,020,933	10,565,454	13,069,542
Differences between expected and actual experience in the measurement of the net OPEB liability	1,807,932	(1,763,277)	-	7,588,365
Changes of assumptions	(3,424,534)	413,574	(13,000,983)	28,808,355
Benefit payments	(13,920,354)	(15,257,077)	(12,982,259)	(13,954,671)
Net change in total OPEB liability	6,970,938	5,803,764	(4,065,680)	43,448,786
Total OPEB Liability - Beginning	265,375,388	259,571,624	263,637,304	220,188,518
Total OPEB Liability - Ending (a)	<u>\$ 272,346,326</u>	<u>\$ 265,375,388</u>	<u>\$ 259,571,624</u>	<u>\$ 263,637,304</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 13,920,354	\$ 15,257,077	\$ 12,982,259	\$ 2,537,222
Expected Investment Income	2,799,774	755,548	(5,734,127)	7,471,853
Difference between projected and actual earnings on OPEB plan investments	246,795	-	-	-
Benefit payments	(13,920,354)	(15,257,077)	(12,982,259)	(13,954,671)
Administrative expense	(15,544)	(13,612)	(13,683)	(19,384)
Net change in plan fiduciary net position	3,031,025	741,936	(5,747,810)	(3,964,980)
Plan Fiduciary Net Position - Beginning	48,699,488	47,957,552	53,705,362	57,670,342
Plan Fiduciary Net Position - Ending (b)	<u>\$ 51,730,513</u>	<u>\$ 48,699,488</u>	<u>\$ 47,957,552</u>	<u>\$ 53,705,362</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 220,615,813</u>	<u>\$ 216,675,900</u>	<u>\$ 211,614,072</u>	<u>\$ 209,931,942</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.99%	18.35%	18.48%	20.37%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net 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

¹ The District's OPEB Plan is administered through a trust; however, the contributions to the trust 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.

Santa Ana Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 7,724,764	\$ 4,572,723	\$ 4,450,339	\$ 4,331,230
Interest	12,602,874	11,112,079	10,824,443	10,574,943
Differences between expected and actual experience in the measurement of the net OPEB liability	(66,575)	18,504,337	-	-
Changes of assumptions	-	-	-	-
Benefit payments	(12,582,715)	(9,852,624)	(10,566,691)	(11,167,212)
Net change in total OPEB liability	7,678,348	24,336,515	4,708,091	3,738,961
Total OPEB Liability - Beginning	212,510,170	188,173,655	183,465,564	179,726,603
Total OPEB Liability - Ending (a)	<u>\$ 220,188,518</u>	<u>\$ 212,510,170</u>	<u>\$ 188,173,655</u>	<u>\$ 183,465,564</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 12,582,715	\$ 9,852,624	\$ 50,566,691	\$ 21,167,212
Expected Investment Income	3,255,043	3,037,692	1,810,487	186,014
Difference between projected and actual earnings on OPEB plan investments	178,042	603,725	(1,341,717)	-
Benefit payments	(12,582,715)	(9,852,624)	(10,566,691)	(11,167,212)
Administrative expense	(26,911)	(10,901)	(19,810)	(1,322)
Net change in plan fiduciary net position	3,406,174	3,630,516	40,448,960	10,184,692
Plan Fiduciary Net Position - Beginning	54,264,168	50,633,652	10,184,692	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 57,670,342</u>	<u>\$ 54,264,168</u>	<u>\$ 50,633,652</u>	<u>\$ 10,184,692</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 162,518,176</u>	<u>\$ 158,246,002</u>	<u>\$ 137,540,003</u>	<u>\$ 173,280,872</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	26.19%	25.53%	26.91%	5.55%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net 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 District's OPEB Plan is administered through a trust; however, the contributions to the trust 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.

Santa Ana Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.7498%	0.8527%	0.7982%	0.7295%
Proportionate share of the net OPEB liability	\$ 1,998,680	\$ 2,587,415	\$ 2,629,368	\$ 2,909,729
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 its 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
	2021	2020	2019	2018
Proportion of the net OPEB liability	0.8727%	0.8791%	0.8603%	0.9252%
Proportionate share of the net OPEB liability	\$ 3,698,214	\$ 3,273,878	\$ 3,292,968	\$ 3,892,495
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 its 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.

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

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.5140%	0.5765%	0.5319%	0.4853%	0.5008%
Proportionate share of the net pension liability	\$ 345,223,613	\$ 439,060,491	\$ 369,563,155	\$ 220,856,254	\$ 485,342,821
State's proportionate share of the net pension liability associated with the District	158,389,782	210,366,227	185,075,784	111,126,301	250,194,282
Total	<u>\$ 503,613,395</u>	<u>\$ 649,426,718</u>	<u>\$ 554,638,939</u>	<u>\$ 331,982,555</u>	<u>\$ 735,537,103</u>
Covered payroll	<u>\$ 345,987,513</u>	<u>\$ 357,733,942</u>	<u>\$ 341,219,598</u>	<u>\$ 273,350,291</u>	<u>\$ 275,410,392</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	99.78%	122.73%	108.31%	80.80%	176.23%
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	0.4970%	0.4793%	0.5111%	0.5280%	0.5389%
Proportionate share of the net pension liability	\$ 448,838,459	\$ 440,514,489	\$ 472,622,449	\$ 427,027,116	\$ 362,799,016
State's proportionate share of the net pension liability associated with the District	244,871,344	252,215,147	279,599,448	243,098,920	191,880,686
Total	<u>\$ 693,709,803</u>	<u>\$ 692,729,636</u>	<u>\$ 752,221,897</u>	<u>\$ 670,126,036</u>	<u>\$ 554,679,702</u>
Covered payroll	<u>\$ 270,410,392</u>	<u>\$ 260,879,563</u>	<u>\$ 270,435,684</u>	<u>\$ 261,397,446</u>	<u>\$ 245,668,908</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	165.98%	168.86%	174.76%	163.36%	147.68%
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

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

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.7719%	0.7872%	0.7539%	0.7628%	0.7470%
Proportionate share of the net pension liability	\$ 275,878,825	\$ 284,950,003	\$ 259,417,968	\$ 155,115,782	\$ 229,214,831
Covered payroll	\$ 153,832,545	\$ 138,283,985	\$ 112,842,012	\$ 110,011,396	\$ 107,580,315
Proportionate share of the net pension liability as a percentage of its covered payroll	179.34%	206.06%	229.89%	141.00%	213.06%
Plan fiduciary net position as a percentage of the total pension liability	72%	71%	71%	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	0.7277%	0.7089%	0.7446%	0.7557%	0.7186%
Proportionate share of the net pension liability	\$ 212,082,945	\$ 189,006,297	\$ 177,755,962	\$ 149,251,038	\$ 105,921,641
Covered payroll	\$ 101,186,851	\$ 95,150,718	\$ 92,901,800	\$ 90,150,755	\$ 79,423,023
Proportionate share of the net pension liability as a percentage of its covered payroll	209.60%	198.64%	191.34%	165.56%	133.36%
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

Santa Ana Unified School District

Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS: Safety Risk Pool

Year Ended June 30, 2025

CalPERS: SAFETY RISK POOL	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Proportion of the net pension liability	0.0714%	0.0706%	0.0678%	0.0451%	0.0561%
Proportionate share of the net pension liability	<u>\$ 5,202,814</u>	<u>\$ 5,278,559</u>	<u>\$ 4,658,300</u>	<u>\$ 1,581,070</u>	<u>\$ 3,737,258</u>
Covered payroll	<u>\$ 2,176,386</u>	<u>\$ 2,070,103</u>	<u>\$ 2,246,326</u>	<u>\$ 2,032,958</u>	<u>\$ 2,452,341</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>239.06%</u>	<u>254.99%</u>	<u>207.37%</u>	<u>77.77%</u>	<u>152.40%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78%</u>	<u>76%</u>	<u>77%</u>	<u>88%</u>	<u>75%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	0.0523%	0.0497%	0.0485%	0.0484%	0.0494%
Proportionate share of the net pension liability	<u>\$ 3,261,844</u>	<u>\$ 2,913,884</u>	<u>\$ 2,899,401</u>	<u>\$ 2,506,207</u>	<u>\$ 2,034,198</u>
Covered payroll	<u>\$ 2,473,738</u>	<u>\$ 2,316,124</u>	<u>\$ 2,007,112</u>	<u>\$ 2,019,608</u>	<u>\$ 1,960,237</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>131.86%</u>	<u>125.81%</u>	<u>144.46%</u>	<u>124.09%</u>	<u>103.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75%</u>	<u>75%</u>	<u>73%</u>	<u>74%</u>	<u>78%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

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

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 70,033,408	\$ 66,083,615	\$ 68,327,183	\$ 57,734,356	\$ 44,146,072
Contributions in relation to the contractually required contribution	<u>70,033,408</u>	<u>66,083,615</u>	<u>68,327,183</u>	<u>57,734,356</u>	<u>44,146,072</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 366,667,058</u>	<u>\$ 345,987,513</u>	<u>\$ 357,733,942</u>	<u>\$ 341,219,598</u>	<u>\$ 273,350,291</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 47,095,177	\$ 44,067,102	\$ 37,644,921	\$ 34,020,809	\$ 28,047,946
Contributions in relation to the contractually required contribution	<u>47,095,177</u>	<u>44,067,102</u>	<u>37,644,921</u>	<u>34,020,809</u>	<u>28,047,946</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 275,410,392</u>	<u>\$ 270,682,445</u>	<u>\$ 260,879,563</u>	<u>\$ 270,435,684</u>	<u>\$ 261,397,446</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>

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

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 45,028,847	\$ 41,042,523	\$ 35,082,647	\$ 25,852,105	\$ 22,772,359
Contributions in relation to the contractually required contribution	<u>45,028,847</u>	<u>41,042,523</u>	<u>35,082,647</u>	<u>25,852,105</u>	<u>22,772,359</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 166,465,238</u>	<u>\$ 153,832,545</u>	<u>\$ 138,283,985</u>	<u>\$ 112,842,012</u>	<u>\$ 110,011,396</u>
Contributions as a percentage of covered payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 21,215,914	\$ 18,276,369	\$ 14,777,858	\$ 12,902,202	\$ 10,680,160
Contributions in relation to the contractually required contribution	<u>21,215,914</u>	<u>18,276,369</u>	<u>14,777,858</u>	<u>12,902,202</u>	<u>10,680,160</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 107,580,315</u>	<u>\$ 101,186,851</u>	<u>\$ 95,150,718</u>	<u>\$ 92,901,800</u>	<u>\$ 90,150,755</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>

Santa Ana Unified School District
Schedule of the District's Contributions - CalPERS: Safety Risk Pool
Year Ended June 30, 2025

CalPERS: SAFETY RISK POOL	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 637,681	\$ 602,193	\$ 575,958	\$ 520,234	\$ 626,328
Contributions in relation to the contractually required contribution	<u>637,681</u>	<u>602,193</u>	<u>575,958</u>	<u>520,234</u>	<u>626,328</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 2,176,386</u>	<u>\$ 2,070,103</u>	<u>\$ 2,246,326</u>	<u>\$ 2,032,958</u>	<u>\$ 2,452,341</u>
Contributions as a percentage of covered payroll	<u>29.300%</u>	<u>29.090%</u>	<u>25.640%</u>	<u>25.590%</u>	<u>25.540%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 585,138	\$ 517,561	\$ 402,541	\$ 403,287	\$ 371,309
Contributions in relation to the contractually required contribution	<u>585,138</u>	<u>517,561</u>	<u>402,541</u>	<u>403,287</u>	<u>371,309</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 2,473,738</u>	<u>\$ 2,316,124</u>	<u>\$ 2,007,112</u>	<u>\$ 2,019,608</u>	<u>\$ 1,960,237</u>
Contributions as a percentage of covered payroll	<u>23.654%</u>	<u>22.346%</u>	<u>20.056%</u>	<u>19.969%</u>	<u>18.942%</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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.

These schedules present 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 Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – There were no changes in benefit terms.
- *Change of Assumptions* – The changes of assumptions reflect a change in investment rate of return from 4.65% in 2023 to 4.82% in 2024.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plan fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

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

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

Santa Ana Unified School District

Santa Ana Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department Of Education			
Passed through California Department of Education (CDE)			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	\$ 9,250,832
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	449,860
Alternate Dispute Resolution	84.027A	13007	<u>15,157</u>
Subtotal			<u>9,715,849</u>
Preschool Grants, Part B, Sec 619	84.173	13430	287,772
Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>2,250</u>
Subtotal			<u>290,022</u>
Subtotal Special Education Cluster (IDEA)			<u>10,005,871</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	14,597,840
School Improvement Funding for LEAs	84.010	15438	<u>306,723</u>
Subtotal			<u>14,904,563</u>
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	384,108
Title I, Part C, Migrant Education (MESRP)	84.011	10144	<u>3,919</u>
Subtotal			<u>388,027</u>
Title III, English Learner Student Program	84.365	14346	1,846,408
Title III, Immigrant Education Program	84.365	15146	<u>161,187</u>
Subtotal			<u>2,007,595</u>
Education Stabilization Fund			
COVID-19 - Elementary and Secondary School Emergency			
Relief III (ESSER III) Fund	84.425U	15559	3,207,014
COVID-19 ASES Rate Increase: ESSER III State Reserve			
Afterschool Programs	84.425U	15651	228,610
COVID-19 - American Rescue Plan - Homeless Children			
and Youth II (ARP-HCY II) Program	84.425W	15566	<u>43,270</u>
Subtotal			<u>3,478,894</u>

Santa Ana Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department Of Education (cont.)			
Passed through CDE (cont.)			
Title II, Part A, Supporting Effective Instruction	84.367	14341	\$ 1,799,966
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	1,799,479
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	638,078
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	225,232
Early Intervention Grants	84.181	23761	282,678
Indian Education	84.060A	10011	4,406
Safe and Drug-Free Schools and Communities - National Programs	84.184H	[1]	854,759
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	425,913
Passed through California Department of Rehabilitation Workability II, Transition Partnership	84.126	10006	<u>428,745</u>
Total U.S. Department of Education			<u>37,244,206</u>
U.S. Department Of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
School Breakfast Program Severe Need	10.553	13526	5,813,572
School Lunch - Section 4	10.555	13523	2,382,943
School Lunch - Section 11	10.555	13524	16,942,382
Meal Supplements	10.555	13755	54,635
Commodities	10.555	13524	2,327,852
Local Food for Schools	10.555	15708	<u>29,334</u>
Subtotal			<u>21,737,146</u>
Subtotal Child Nutrition Cluster			<u>27,550,718</u>
Passed through California Department of Social Services			
Child and Adult Care Food Program	10.558	13529	3,662,310
Cash in Lieu of Commodities	10.558	13534	<u>245,524</u>
Subtotal			<u>3,907,834</u>
Total U.S. Department of Agriculture			<u>31,458,552</u>
U.S. Department of Defense			
Junior Reserve Officer Training Corps	12.000	[2]	<u>144,985</u>
Total U.S. Department of Defense			<u>144,985</u>

[1] Pass-Through Entity Identifying Number not available

[2] Direct award – No Pass-Through Entity Identifying Number

Santa Ana Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Passed through California Department of Social Services Child Care and Development Fund (CCDF) Cluster COVID-19 ARP California State Preschool Program One-time Stipend	93.575	15640	\$ 302,064
Subtotal CCDF Cluster			302,064
Total U.S. Department of Health and Human Services			302,064
National Science Foundation Passed through Regents of the University of California, Irvine Irvine Mathematics Project	47.076	[1]	229,706
Total National Science Foundation			229,706
U.S. Department of Justice Public Safety Partnership and Community Policing Grants	16.710	[2]	37,315
Total U.S. Department of Justice			37,315
Total Federal Financial Assistance			\$ 69,416,828

[1] Pass-Through Entity Identifying Number not available

[2] Direct award – No Pass-Through Entity Identifying Number

Santa Ana Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	Final Report	
	Second Period Report B6359552	Annual Report 264AFE2A
Regular ADA		
Transitional kindergarten through third	9,355.23	9,345.97
Fourth through sixth	7,271.62	7,256.16
Seventh and eighth	5,229.44	5,215.03
Ninth through twelfth	11,396.24	11,267.55
Total Regular ADA	33,252.53	33,084.71
Extended Year Special Education		
Transitional kindergarten through third	118.58	118.58
Fourth through sixth	51.67	51.67
Seventh and eighth	3.65	3.65
Ninth through twelfth	16.95	16.95
Total Extended Year Special Education	190.85	190.85
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.18	1.26
Fourth through sixth	3.27	3.17
Seventh and eighth	7.35	6.73
Ninth through twelfth	17.94	16.85
Total Special Education, Nonpublic, Nonsectarian Schools	29.74	28.01
Extended Year Special Education, Nonpublic, and Nonsectarian Schools		
Transitional kindergarten through third	0.07	0.07
Fourth through sixth	0.47	0.47
Seventh and eighth	0.77	0.77
Ninth through twelfth	1.43	1.43
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.74	2.74
Community Day School		
Seventh and eighth	2.10	2.94
Ninth through twelfth	18.05	17.63
Total Community Day School	20.15	20.57
Total ADA	33,496.01	33,326.88

Santa Ana Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	Final Report	
	Second Period Report 5C060E7C	Annual Report 948BEAAD
Advanced Learning Academy		
Regular ADA		
Transitional kindergarten through third	68.84	69.19
Fourth through sixth	66.37	66.78
Seventh and eighth	68.56	68.90
Ninth through twelfth	134.20	133.80
Total Regular ADA	337.97	338.67
Classroom based ADA		
Transitional kindergarten through third	68.84	69.19
Fourth through sixth	66.37	66.78
Seventh and eighth	68.56	68.90
Ninth through twelfth	134.20	133.80
Total Regular ADA	337.97	338.67

Santa Ana Unified School District

Schedule of Instructional Time

Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	46,132	-	46,132	180		180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		50,684	-	50,684	180		180	N/A	N/A	N/A	Complied
Grade 2		50,684	-	50,684	180		180	N/A	N/A	N/A	Complied
Grade 3		50,684	-	50,684	180		180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		54,300	-	54,300	180		180	N/A	N/A	N/A	Complied
Grade 5		54,300	-	54,300	180		180	N/A	N/A	N/A	Complied
Grade 6		54,168	-	54,168	180		180	N/A	N/A	N/A	Complied
Grade 7		54,153	-	54,153	180		180	N/A	N/A	N/A	Complied
Grade 8		54,153	-	54,153	180		180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		64,800	-	64,800	180		180	N/A	N/A	N/A	Complied
Grade 10		64,800	-	64,800	180		180	N/A	N/A	N/A	Complied
Grade 11		64,800	-	64,800	180		180	N/A	N/A	N/A	Complied
Grade 12		64,800	-	64,800	180		180	N/A	N/A	N/A	Complied

Santa Ana Unified School District

Schedule of Instructional Time

Year Ended June 30, 2025

Advanced Learning Academy

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	48,930	-	48,930	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		50,684	-	50,684	180	-	180	N/A	N/A	N/A	Complied
Grade 2		50,684	-	50,684	180	-	180	N/A	N/A	N/A	Complied
Grade 3		50,684	-	50,684	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		54,300	-	54,300	180	-	180	N/A	N/A	N/A	Complied
Grade 5		54,300	-	54,300	180	-	180	N/A	N/A	N/A	Complied
Grade 6		59,200	-	59,200	180	-	180	N/A	N/A	N/A	Complied
Grade 7		59,200	-	59,200	180	-	180	N/A	N/A	N/A	Complied
Grade 8		59,200	-	59,200	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		65,060	-	65,060	180	-	180	N/A	N/A	N/A	Complied
Grade 10		65,060	-	65,060	180	-	180	N/A	N/A	N/A	Complied
Grade 11		65,060	-	65,060	180	-	180	N/A	N/A	N/A	Complied
Grade 12		65,060	-	65,060	180	-	180	N/A	N/A	N/A	Complied

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

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

	Bond Interest and Redemption Fund	Internal Service Fund
	<u> </u>	<u> </u>
Fund Balance/Net Position		
Balance, June 30, 2025, Unaudited Actuals	\$ 50,596,925	\$ 30,184,234
Decrease in		
Revolving cash	-	(197,201)
Claims liability	-	691,657
Increase in		
Investments	549,740	-
Prepaid expenses	<u>-</u>	<u>117,713</u>
Balance, June 30, 2025, Audited Financial Statement	<u><u>\$ 51,146,665</u></u>	<u><u>\$ 30,796,403</u></u>

Santa Ana Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

	(Budget) 2026 ¹	2025	2024 ¹	2023 ¹
General Fund ³				
Revenues	\$ 775,799,058	\$ 837,636,213	\$ 892,058,857	\$ 1,008,304,639
Other sources	-	963,442	921,686	1,721,572
Total revenues and other sources	775,799,058	838,599,655	892,980,543	1,010,026,211
Expenditures	827,933,760	978,554,979	942,904,308	855,052,435
Other uses	6,300,856	5,866,919	5,834,416	8,771,931
Total expenditures and other uses	834,234,616	984,421,898	948,738,724	863,824,366
Increase/(Decrease) in Fund Balance	\$ (58,435,558)	\$ (145,822,243)	\$ (55,758,181)	\$ 146,201,845
Ending Fund Balance	\$ 158,247,362	\$ 216,682,920	\$ 362,505,163	\$ 418,263,344
Available Reserves ²	\$ 30,373,701	\$ 58,532,524	\$ 71,516,050	\$ 51,121,548
Available Reserves as A Percentage of Total Outgo	3.64%	5.95%	7.54%	5.92%
Long-Term Liabilities ⁵	N/A	\$ 1,532,407,691	\$ 1,562,008,000	\$ 1,477,999,736
K-12 Average Daily Attendance at P-2 ⁴	32,109	33,496	35,288	36,657

The General Fund balance has decreased by \$201,580,424 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$58,435,558 (27.0%). 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 \$54,407,955 over the past two years.

Average daily attendance has decreased by 3,161 over the past two years. An additional decrease of 1,387 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 amounts committed for fiscal stabilization and unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

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

⁴ Excludes charter ADA.

⁵ Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 19 for further information.

Santa Ana Unified School District

Schedule of Charter Schools

Year Ended June 30, 2025

Name of Charter School	Charter Number	Included in Audit Report
Advanced Learning Academy	1765	Yes
Edward B. Cole Academy	0578	No
El Sol Santa Ana Science and Arts Academy	0365	No
Nova Academy Early College High	0632	No
Orange County Educational Arts Academy	0701	No

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

	Student Activity Fund	Charter School Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund
Assets					
Deposits and investments	\$ 2,195,405	\$ 58,662	\$ 5,951,603	\$ 566,246	\$ 23,282,156
Receivables	-	512,280	4,777,051	1,846	78,283
Due from other funds	-	2,386,317	77,407	-	-
Prepaid expenditures	-	1,641	-	-	-
Stores inventories	-	-	2,948,991	-	-
Total assets	\$ 2,195,405	\$ 2,958,900	\$ 13,755,052	\$ 568,092	\$ 23,360,439
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 86,654	\$ 2,544,205	\$ -	\$ 2,936,883
Due to other funds	-	1,965,161	2,154,851	-	-
Unearned revenue	-	783	542	-	-
Total liabilities	-	2,052,598	4,699,598	-	2,936,883
Fund Balances					
Nonspendable	-	1,641	2,950,851	-	-
Restricted	2,195,405	784,184	6,104,603	-	20,423,556
Committed	-	-	-	568,092	-
Assigned	-	120,477	-	-	-
Total fund balances	2,195,405	906,302	9,055,454	568,092	20,423,556
Total liabilities and fund balances	\$ 2,195,405	\$ 2,958,900	\$ 13,755,052	\$ 568,092	\$ 23,360,439

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

	Special Reserve Fund For Capital Outlay Projects	Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 8,307,804	\$ 646,985	\$ 337,738	\$ 41,346,599
Receivables	300,177	2,149	914	5,672,700
Due from other funds	-	-	-	2,463,724
Prepaid expenditures	-	-	-	1,641
Stores inventories	-	-	-	2,948,991
Total assets	\$ 8,607,981	\$ 649,134	\$ 338,652	\$ 52,433,655
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 78,096	\$ 191	\$ -	\$ 5,646,029
Due to other funds	-	-	-	4,120,012
Unearned revenue	-	-	-	1,325
Total liabilities	78,096	191	-	9,767,366
Fund Balances				
Nonspendable	-	-	-	2,952,492
Restricted	1,152,215	648,943	338,652	31,647,558
Committed	-	-	-	568,092
Assigned	7,377,670	-	-	7,498,147
Total fund balances	8,529,885	648,943	338,652	42,666,289
Total liabilities and fund balances	\$ 8,607,981	\$ 649,134	\$ 338,652	\$ 52,433,655

Santa Ana Unified School District

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

Year Ended June 30, 2025

	Student Activity Fund	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues						
Local Control Funding Formula (LCFF)	\$ -	\$ 5,282,900		\$ -	\$ -	
Federal sources	-	78,088		31,459,424	-	
Other State sources	-	1,074,220		7,918,693	-	
Other local sources	2,853,748	90,267		1,740,987	75,952	
Total revenues	2,853,748	6,525,475		41,119,104	75,952	
Expenditures						
Current						
Instruction	-	5,238,045		-	-	
Instruction-related activities						
Supervision of instruction	-	1,038,624		-	-	
School site administration	-	1,054,299		-	-	
Pupil services						
Food services	-	-		38,993,699	-	
All other pupil services	-	467,169		-	-	
Administration						
All other administration	-	450,467		1,517,377	-	
Plant services	-	391,643		714,389	442	
Ancillary services	2,940,204	88,509		-	-	
Enterprise services	-	-		179,641	-	
Facility acquisition and construction	-	265,914		-	-	
Debt service						
Principal	-	-		-	-	
Interest and other	-	-		-	-	
Total expenditures	2,940,204	8,994,670		41,405,106	442	
Excess (Deficiency) of Revenues over Expenditures	(86,456)	(2,469,195)		(286,002)	75,510	
Other Financing Sources (Uses)						
Transfers in	-	223,563		34,703	-	
Transfers out	-	-		-	-	
Net Financing Sources (Uses)	-	223,563		34,703	-	
Net Change in Fund Balances	(86,456)	(2,245,632)		(251,299)	75,510	
Fund Balance - Beginning, as previously reported	2,281,861	3,151,934	4,540,770	9,306,753	492,582	43,559,105
Adjustments (Note 19)	-	-	(4,540,770)	-	-	(43,559,105)
Fund Balances - Beginning, as restated	2,281,861	3,151,934		9,306,753	492,582	
Fund Balances - Ending	\$ 2,195,405	\$ 906,302		\$ 9,055,454	\$ 568,092	

Santa Ana Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2025

	County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues						
Local Control Funding Formula (LCFF)	\$ -	\$ -	\$ -		\$ -	\$ 5,282,900
Federal sources	-	-	-		-	31,537,512
Other State sources	-	-	-		-	8,992,913
Other local sources	1,371,290	781,636	36,712		543,342	7,493,934
Total revenues	1,371,290	781,636	36,712		543,342	53,307,259
Expenditures						
Current						
Instruction	-	-	-		-	5,238,045
Instruction-related activities						
Supervision of instruction	-	-	-		-	1,038,624
School site administration	-	-	-		-	1,054,299
Pupil services						
Food services	-	-	-		-	38,993,699
All other pupil services	-	-	-		-	467,169
Administration						
All other administration	-	-	-		-	1,967,844
Plant services	7,344	15,698	425		-	1,129,941
Ancillary services	-	-	-		-	3,028,713
Enterprise services	-	-	-		-	179,641
Facility acquisition and construction	5,911,439	933,530	20,405		-	7,131,288
Debt service						
Principal	-	-	-		6,278,667	6,278,667
Interest and other	-	-	-		1,631,480	1,631,480
Total expenditures	5,918,783	949,228	20,830		7,910,147	68,139,410
Excess (Deficiency) of Revenues over Expenditures	(4,547,493)	(167,592)	15,882		(7,366,805)	(14,832,151)
Other Financing Sources (Uses)						
Transfers in	-	1,546,402	-		7,483,789	9,288,457
Transfers out	-	(1,618,722)	-		-	(1,618,722)
Net Financing Sources (Uses)	-	(72,320)	-		7,483,789	7,669,735
Net Change in Fund Balances	(4,547,493)	(239,912)	15,882		116,984	(7,162,416)
Fund Balance - Beginning, as previously reported	24,971,049	8,769,797	633,061	48,329,936	221,668	146,258,516
Adjustments (Note 19)	-	-	-	(48,329,936)	-	(96,429,811)
Fund Balances - Beginning, as restated	24,971,049	8,769,797	633,061		221,668	49,828,705
Fund Balances - Ending	\$ 20,423,556	\$ 8,529,885	\$ 648,943		\$ 338,652	\$ 42,666,289

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Santa Ana 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 the schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District did not report any commodities in inventory.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207, 47612, and 47612.5.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Sections 46201 and 47612.5.

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

Santa Ana Unified School District

ORGANIZATION

The Santa Ana Unified School District (the District) was organized in 1888 and consists of an area comprising approximately 24 square miles. The District operates 31 elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and four alternative high schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Hector Bustos	President	2026
Katelyn Brazer Aceves	Vice President	2026
Valerie Magdaleno	Clerk	2028
Alfonso Alvarez, Ed.D.	Member	2028
Brenda Lebsack	Member	2028

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Jerry Almendarez	Superintendent
Lorraine M. Perez, Ed.D.	Deputy Superintendent, Educational Services
Ron Hacker	Associate Superintendent/Chief Business Official, Business Services
Jennifer A. Flores	Associate Superintendent, Human Resources
Bianca Barquin, Ed.D.	Assistant Superintendent, Teaching and Learning
Ted Walstrom	Assistant Superintendent, Facilities & Governmental Relations

Independent Auditor's Reports
June 30, 2025

Santa Ana 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
Santa Ana Unified School District
Santa Ana, 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 Santa Ana 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 December 15, 2025.

Correction of an Error

As discussed in Note 19 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for unearned revenue as of June 30, 2024, were required to be restated due to change within the financial reporting entity. Accordingly, a restatement has been made to the fund balance of the Child Development Fund and governmental activities net position as of July 1, 2024, to correct the error. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 19 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be a material weakness.

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*.

District's Response to Finding

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

We noted certain matters that we reported to management of the District in a separate letter dated December 15, 2025.

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.



Rancho Cucamonga, California
December 15, 2025



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
Santa Ana Unified School District
Santa Ana, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Santa Ana 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, the 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.

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.

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

Rancho Cucamonga, California
December 15, 2025



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

To the Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on Compliance

Opinion on State Compliance

We have audited Santa Ana 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, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Yes
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2025-002. Our opinion on state compliance is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Rancho Cucamonga, California
December 15, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Santa Ana Unified School District

Santa Ana Unified School District

Summary of Auditor's Results

Year Ended June 30, 2025

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness identified	Yes
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

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Special Education Cluster (IDEA)	84.027, 84.027A, 84.173, 84.173A
Child and Adult Care Food Program	10.558
Cash in Lieu of Commodities	10.558
Dollar threshold used to distinguish between Type A and Type B programs	\$2,082,505
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	Yes
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

	Five Digit Code	AB 3627 Finding Type
	30000	Internal Control
2025-001	30000 – Internal Control over Financial Reporting (Material Weakness)	
	Criteria	
	Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District’s financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.	
	Condition	
	During the course of our engagement, we identified certain material misstatements of balances within the District’s 2024-2025 unaudited actuals financial report. Through review of supporting records, we noted that the District’s beginning net position of the governmental activities and beginning fund balance of the Child Development Fund were understated as a result of the overstatement in unearned revenue in the amount of \$353,240. In addition, we noted that the Internal Service Fund’s ending net position was understated by the net amount of \$612,169 as a result of understatement of revolving cash of \$197,201, overstatement of claims liability of \$691,657, and understatement of prepaid expenses of \$117,713.	
	Context	
	The condition was identified through review of available District records related to the 2024-2025 unaudited actuals financial report.	
	Cause	
	The cause of the condition identified appears to be due to inadequate internal control processes related to the preparation of the District’s year-end financial statements, which includes the related conversion entries in preparation of the government-wide financial statements.	

Effect

Due to the condition identified, the District's prior period ending governmental activities net position and the prior period ending fund balance of the Child Development Fund were understated by \$353,240. In addition, the Internal Service Fund's net position was understated by \$612,169. The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Repeat Finding

No.

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan and Views of Responsible Officials

1. For Internal Service Fund: Claims Liability, the district will correct the formula error to ensure that future entries reflect the correct calculation for ASCIP Property and Other Liabilities. Once the spreadsheet is updated with the corrected formula, the error will no longer occur, and the calculation will remain accurate moving forward.
2. Purchase requisition initiators will be required to use the appropriate prepaid account whenever services or coverage relate to the following school year. During the approval workflow, Budget staff will also review requisitions to ensure that any future-year service charges are correctly coded to the prepaid account. This process will allow Accounts Payable to properly record the expenditure as a prepaid item when the invoice is processed and will ensure that prepaid amounts are established, reversed, and recognized in the correct fiscal year in accordance with accounting standards.
3. For Internal Service Fund Revolving Cash, the district will ensure the implementation of proper monthly reconciliation procedures to confirm that the account, held through ASCIP, is accurately reconciled to the impress balance. The district will review the reconciliation process each month to verify that all transactions are accounted for, discrepancies are resolved promptly, and supporting documentation is maintained. These steps will help ensure ongoing accuracy and prevent similar issues from occurring in the future.
4. The district has corrected the finding for Fund 12, Child Development, and the funding has been booked as a fund balance instead of unearned revenue. The issue has been resolved at the end of fiscal year 2024–2025, and fiscal year 2025–2026 now reflects the correct beginning fund balance.

Moving forward, the district will provide additional oversight of categorical funding to ensure that all funding sources are recorded to the correct resource and object codes. The district will implement the following corrective measures:

Staff Training and Guidance

- Provide targeted training for fiscal services staff on the proper accounting treatment for categorical revenue, including distinguishing between fund balance, unearned revenue, and other relevant classifications.

Review and Verification Procedures

- Implement a secondary review process in which another fiscal team member verifies the accuracy of revenue coding prior to year-end close.

Strengthened Monitoring and Reconciliation

- Conduct periodic reconciliations throughout the fiscal year to ensure funding is properly classified and aligns with state and federal reporting requirements.
- Review categorical accounts quarterly to identify and correct any discrepancies promptly.

Ongoing Communication with Program Staff and Auditors

- Maintain ongoing communication with program managers to ensure accurate coding of program-specific funding.
- Consult with external auditors or the chartering authority when clarification is needed on funding classification or accounting treatment.

Through these measures, the district will ensure continued compliance with accounting standards and prevent similar issues from occurring in future fiscal years.

None reported.

The following finding represents significant deficiency and an instance of noncompliance that is required to be reported by the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
70000	Instructional Materials

2025-002 70000 – Instructional Materials (Significant Deficiency, Noncompliance)

Criteria

As required by California *Education Code* Section 60119(b), the governing board shall provide 10 days' notice of the required public hearing.

Condition

The District provided seven days' notice of the required public hearing.

Cause

No specific cause was identified other than oversight.

Effect

The District has not complied with requirements identified in by California *Education Code* Section 60119(b), which states that the governing board shall provide 10 days' notice of the required public hearing.

Questioned Costs

There were no questioned costs associated with the condition identified.

Repeat Finding

No.

Recommendation

The District should implement procedures and controls to ensure that the notice of public hearing is posted as required by California *Education Code* Section 60119(b).

Corrective Action Plan and Views of Responsible Officials

The District acknowledges this finding and concurs that an oversight in internal calendaring and notification processes resulted in the required 10 day public hearing notice not being met. We recognize the importance of full compliance with *Education Code* Section 60119(b).

To prevent recurrence, the District will strengthen its systems and cross-departmental coordination by developing a standardized annual calendar and workflow for all required public hearings. This process will include clearly defined roles, multi-level review checkpoints, and automated reminders to ensure timely posting of all notices. Staff across Teaching and Learning, the Superintendent's Office, Communications, and the Board Office will collaborate to implement and monitor these procedures.

These corrective actions will be implemented prior to the next annual instructional materials hearing and will be reviewed annually to ensure ongoing compliance.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Federal Awards Findings

2024-001 50000 – Reporting (Significant Deficiency in Internal Controls, Noncompliance)

Federal Agency: U.S. Department of Education
Pass-Through Agency: California Department of Education
Program Name: COVID-19 – Elementary and Secondary School Emergency Relief Funds
Assistance Listing Number: 84.425D, 84.425U
Compliance Requirement: Reporting

Criteria

Per Title 2 U.S. *Code of Federal Regulations* Part 200, Subpart D, Section 200.334, financial records and supporting documents pertinent to a Federal award must be retained for a period of three years from the date of submission of expenditure reports to the awarding agency or pass-through entity.

Condition

The District misreported Full-Time Equivalent (FTE) positions, for multiple date ranges, on the ESSER Annual Data Collection: General ESSER Information Report that was submitted to the California Department of Education.

Cause

The identified condition appears to have materialized due to insufficient procedures related to the review process.

Effect

The District has not complied with the requirement identified in Title 2 U.S. *Code of Federal Regulations* Part 200, Subpart D, Section 200.334.

Questioned Costs

There were no questioned costs associated with the identified condition.

Context/Sampling

The condition was identified through inquiry with District personnel and through the review of documentation used to prepare the reports.

Recommendation

The District should ensure that all Full-Time Equivalent (FTE) positions are reported on the District's ESSER Annual Data Collection: General ESSER Information Report based on actual FTE positions.

Current Status

Implemented.



Management
Santa Ana Unified School District
Santa Ana, California

In planning and performing our audit of the financial statements of Santa Ana 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 December 15, 2025, on the government-wide financial statements of the District.

Associated Student Body (ASB)

MacArthur Intermediate School

Observations

1. Based on the review of the cash receipting procedures, it was noted that four of five deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 13 to 25 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that one of five disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.

Recommendations

1. The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

Carr Intermediate School

Observation

Based on the review of the cash receipting procedures, it was noted that five of six deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately nine to 30 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.

Lathrop Intermediate School

Observation

Based on the review of the cash receipting procedures, it was noted that two deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 16 to 64 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.

Saddleback High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that eight deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 10 to 11 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that 14 of 25 disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.

Recommendations

1. The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

Santa Ana High School

Observation

Based on the review of the bank reconciliation procedures, it was noted that stale dated checks were not cleared. One check was noted which was stale-dated for over one year. This could result in inaccurate cash balances.

Recommendation

The ASB, should review the outstanding check listing each month for stale-dated checks and ensure that they are properly addressed.

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



Rancho Cucamonga, California
December 15, 2025

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APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR ORANGE COUNTY

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The District comprises only a portion of Orange County, California (the "County"), and the Bonds are only payable from ad valorem property taxes levied on property in the District. The following information concerning the County and the City of Santa Ana (the "City") is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the County or the City.

General

The County. The County, established in 1889 from a portion of Los Angeles County, is located in the southwestern portion of the state of California and is sandwiched between Los Angeles County to the north and San Diego County to the south. The Pacific Ocean borders the County to the west, including 42 miles of coastline, San Bernardino County borders the County to the north-east and Riverside County lies directly east of the County. The County comprises 789 square miles and is the third most populous county in the State and the sixth most populous county in the United States. The County is governed by a five-member Board of Supervisors, each representing a geographic area composed of approximately 600,000 residents. The five Supervisors are elected by the voters of their district to four-year terms.

City of Santa Ana. The District is located within the County, in the cities of Santa Ana (the "City"), Irvine, Newport Beach, Costa Mesa, Orange and Tustin. The City was incorporated on June 1, 1886 and the city charter adopted in 1952 establishing a council-manager form of government. The City is the County seat and the second largest city in the County, comprising approximately 27.3 square miles. The City Council is comprised of seven members consisting of the Mayor and six Councilmembers. Councilmembers are nominated from one of six geographic wards in the City and then elected citywide. The City Councilmembers serve a four-year term and are limited to three consecutive terms. The Mayor is directly elected at-large and has term limits of no more than four (4) two-year terms. The Mayor Pro Tem is nominated and elected from amongst the seated council.

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Population

The following table shows historical population statistics, from 2022 to 2026, for the City, other cities in the County, the unincorporated portion of the County, and the County as a whole.

POPULATION ESTIMATES⁽¹⁾
Cities of Orange County and County Total
Calendar Years 2022 through 2026

Area	2022	2023	2024	2025	2026
Aliso Viejo	51,123	50,606	50,596	50,419	49,945
Anaheim	340,213	338,420	340,629	340,635	340,433
Brea	46,882	48,195	48,231	48,082	47,656
Buena Park	83,288	82,966	83,278	83,219	82,850
Costa Mesa	111,201	110,078	110,009	110,313	109,436
Cypress	49,897	49,578	49,836	49,826	49,495
Dana Point	32,807	32,738	32,665	32,539	32,268
Fountain Valley	56,798	56,490	56,780	56,769	56,596
Fullerton	141,941	141,076	141,194	140,901	140,224
Garden Grove	170,314	169,207	171,479	171,668	171,077
Huntington Beach	195,409	193,405	193,178	192,787	191,498
Irvine	308,949	311,307	315,545	317,652	317,744
Laguna Beach	22,662	22,447	22,555	22,549	22,440
Laguna Hills	30,950	30,645	30,641	30,547	30,275
Laguna Niguel	64,787	64,111	64,743	65,167	64,590
Laguna Woods	17,443	17,249	17,210	17,132	16,970
La Habra	61,926	61,392	61,500	61,524	61,269
Lake Forest	86,807	86,864	87,835	88,017	87,522
La Palma	15,383	15,232	15,235	15,184	15,045
Los Alamitos	11,856	12,029	12,056	12,030	11,951
Mission Viejo	92,116	91,249	91,484	91,219	90,401
Newport Beach	83,922	83,240	83,293	83,041	82,306
Orange	139,652	140,093	140,381	141,825	141,063
Placentia	51,237	52,500	52,761	53,723	53,613
Rancho Santa	47,311	46,829	46,820	46,657	46,217
San Clemente	63,414	62,888	63,285	63,133	62,636
San Juan Capistrano	34,821	34,857	35,370	35,491	35,331
Santa Ana	306,481	306,994	311,025	312,796	312,808
Seal Beach	25,050	24,778	24,787	24,696	24,496
Stanton	39,133	39,027	40,580	40,600	41,415
Tustin	79,569	79,019	79,683	79,650	79,175
Villa Park	5,782	5,751	5,764	5,757	5,741
Westminster	90,588	89,952	90,413	90,625	90,490
Yorba Linda	67,277	66,708	66,801	66,566	66,190
Unincorporated	131,995	130,686	132,173	132,770	132,530
Total	3,158,984	3,148,606	3,169,815	3,175,509	3,163,696

⁽¹⁾ Population estimates as of January 1st for cities in the County.

Source: California State Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2026, with 2020 Census Benchmark. Sacramento, California, May 2026.

Employment

The County, State, and United States civilian labor force figures are shown in the following table for the years 2021 through 2025. The County figures are County-wide and may not necessarily reflect employment trends in the District.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT ⁽¹⁾ Orange County, California, and the United States Calendar Years 2021 through 2025

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽²⁾
2021				
Orange County	1,572,800	1,479,100	93,700	6.0%
California	18,954,600	17,564,900	1,389,700	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
Orange County	1,596,300	1,545,200	51,200	3.2%
California	19,218,300	18,393,900	824,400	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
2023				
Orange County	1,612,200	1,556,000	56,100	3.5%
California	19,471,000	18,551,800	919,200	4.7
United States	167,116,000	161,037,000	6,080,000	3.6
2024				
Orange County	1,627,500	1,563,900	63,600	3.9%
California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0
2025				
Orange County	1,637,100	1,569,300	67,800	4.1%
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⁾ The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: California State Employment Development Department, and U.S. Bureau of Labor Statistics.

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Industry

Service providing and professional and business services are the largest employers in the County followed by education and health services. The table below shows the estimated employment by industry group for 2021 through 2025.

EMPLOYMENT BY INDUSTRY⁽¹⁾ Orange County Calendar Years 2021 through 2025

Industry	2021	2022	2023	2024	2025
Total Farm	2,000	1,700	1,700	1,700	1,700
Total Nonfarm	1,587,800	1,666,000	1,677,500	1,690,200	1,688,600
Goods Producing	252,300	261,100	261,400	261,000	254,100
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, Utl.	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 Business and Services	321,700	331,500	320,100	316,900	317,200
Private Education and Health	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

⁽¹⁾ Data not seasonally adjusted; Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *State of California Employment Development Department Labor Market Information Division*, Industry Employment and Labor Force by Annual Average, March 2025 Benchmark. Sacramento, California, July 2026.

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Major Employers

The County and the City host a diverse mix of major employers representing industries ranging from business services to manufacturers, health services, and education. The following table lists the County's major employers in 2026.

MAJOR EMPLOYERS Orange County Calendar Year of 2026

Employer Name	Location	Industry
Abbvie	Irvine	Pharmaceutical Research Laboratories
American Funds	Irvine	Services NEC
Anaheim City Hall	Anaheim	City Hall
B Braun Medical Inc	Irvine	Physicians & Surgeons Equip & Supls-Mfrs
Boeing Co Coml Airlines Spprt	Seal Beach	Call Centers
Broadcom Corp	Irvine	Semiconductors & Related Devices (mfrs)
California State Univ Fllrtn	Fullerton	Schools-Universities & Colleges Academic
CHOC Children's	Orange	Hospitals
Coast Community College Dist	Costa Mesa	Junior-Community College-Tech Institutes
Edwards Lifesciences Corp	Irvine	Orthopedic Prosthetic/Srgcl Appl (mfrs)
Emplicity	Irvine	Business Services NEC
Fairview Developmental Ctr	Costa Mesa	Hospitals
James R Glidewell Dental Crmcs	Irvine	Dentists
Jefferson School of Philosophy	Laguna Hills	Books School & Textbooks
Largo Concrete	Tustin	Concrete Contractors
Menzies Aviation	Costa Mesa	Airline Support Services
Orange County Register	Anaheim	Newspapers (publishers/Mfrs)
Pacifi Care Health Systems LLC	Cypress	Insurance
Providence Mission Hosp Msn Vj	Mission Viejo	Hospitals
Providence St Joseph Hosp Orng	Orange	Hospitals
Pylusd Schools	Placentia	Schools
Quest Diagnostics	San Juan Cpstrno	Laboratories-Medical
Universal Protection Svc	Santa Ana	Armored Car Service
University of Ca-Irvine	Irvine	Schools-Universities & Colleges Academic
University-Ca Irvine Anteater	Irvine	Stadiums Arenas & Athletic Fields

Source: *State of California Employment Development Department* extracted from America's Labor Market Information System (ALMIS) Employer Database, 2026 2nd Edition.

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The following table lists the City's top 10 principal employers as of June 30, 2025.

**PRINCIPAL EMPLOYERS
CITY OF SANTA ANA**

Employer	Number of Employees	Percentage of Total Employment
County of Orange	17,713	10.95%
Santa Ana Unified School District	6,360	3.93
Santa Ana College (Includes Centennial and Rancho Santiago)	3,701	2.29
Orange County Global Medical Center (KPC Healthcare Hospitals)	1,781	1.10
City of Santa Ana	1,670	1.03
Allied Universal	1,400	0.87
United States Postal Service (3 Locations)	1,395	0.86
Superior Court of CA – County of Orange	745	0.46
First American Title	659	0.41
Amazon Delivery Station	141	0.09
Total	35,565	21.99%

Source: City of Santa Ana, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025*.

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Income

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

PERSONAL INCOME **Orange County, State of California, and the United States** **Calendar Years 2020 through 2024**

Year	Orange County	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

Source: U.S. Bureau of Economic Analysis, SAINC1 State annual personal income summary: personal income, population, per capita personal income and CAINC1 County and MSA personal income summary: personal income, population, per capita personal income (accessed Wednesday, August 19, 2026).

PER CAPITA PERSONAL INCOME⁽¹⁾ **Orange County, State of California, and the United States** **Calendar Years 2020 through 2024**

Year	Orange County	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.

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Commercial Activity

A summary of historic taxable sales in the County and City from 2021 through 2025 (the most recent data available) is shown in the following tables.

VALUATION OF TAXABLE TRANSACTIONS Orange County Fiscal Years 2021 through 2025

Year	Total Retail and Food Permits	Retail and Food Taxable Transactions	Total Outlet Permits	Total Outlets Taxable Transactions
2021	67,060	\$14,934,530,776	118,779	\$21,945,560,674
2022	67,272	15,430,707,666	119,697	23,385,555,769
2023	65,013	15,216,026,498	116,309	22,976,937,710
2024	65,391	15,479,731,781	117,426	22,987,283,845
2025	65,095	15,411,750,235	118,104	23,231,632,862

Source: California Department of Tax and Fee Administration.

VALUATION OF TAXABLE TRANSACTIONS City of Santa Ana Fiscal Years 2021 through 2025

Year	Total Retail and Food Permits	Retail and Food Taxable Transactions	Total Outlet Permits	Total Outlets Taxable Transactions
2021	5,013	\$900,020,274	8,868	\$1,276,027,843
2022	5,051	895,387,152	8,948	1,344,956,300
2023	5,016	911,059,090	8,926	1,286,500,645
2024	5,113	975,743,118	9,102	1,275,626,112
2025	5,142	935,159,196	9,140	1,273,818,103

Source: California Department of Tax and Fee Administration.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Santa Ana Unified School District (the “District”) in connection with the execution and delivery of \$100,000,000 aggregate principal amount of the District’s General Obligation Bonds, 2024 Election, 2026 Series A (the “Bonds”). The Bonds are being issued pursuant to the Resolution adopted by the Board of Education of the District on September 22, 2026 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist the purchaser of the Bonds (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be Keygent LLC.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated ____, 2026 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2026, which would be due on April 1, 2027, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year, or, if available, the current fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted general fund budget for the current fiscal year or most recent interim report;

(ii) Assessed valuations, as shown on the most recent equalized assessment roll;

(iii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll; and

(iv) Secured tax charges and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

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

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Bonds;
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the securities, if material, not later than ten (10) business days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the securities;
- (ii) Modifications of rights to security holders;
- (iii) Bond calls;

- (iv) Release, substitution or sale of property securing repayment of the Bonds;
 - (v) Non-payment related defaults;
 - (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
 - (vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; and
 - (viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.
- (c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.
- (d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Disclosure Agreement, and no implied duties, covenants or obligations shall be read into this Disclosure Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Disclosure Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Disclosure Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Disclosure Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any third-party cost, claim, expense or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Disclosure Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Disclosure Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either (i) by a party unaffiliated with the District or another obligated person (such as Bond Counsel), or (ii) by the written approval of Holders of a majority in aggregate principal amount of the Bonds then outstanding; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default

under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____, 2026

SANTA ANA UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

Acceptance of duties as Dissemination Agent:

KEYGENT LLC

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Santa Ana Unified School District

Name of Issue: \$_____ General Obligation Bonds, 2024 Election, 2026 Series A

Date of Issuance: _____, 2026

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated _____, 2026. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

Keygent LLC

By:_____

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APPENDIX E

ORANGE COUNTY INVESTMENT POLICY

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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.

$$(\text{Price appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$$

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 issues 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.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

General

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners

are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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

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

The principal of the Bonds and any premium and interest thereon will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Dallas, Texas. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

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

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

