PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2026

NEW ISSUE - FULL BOOK-ENTRY
BANK QUALIFIED

RATING: S&P: "AA-"
See "RATING" herein.

In the opinion of Jones Hall LLP, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$3,770,000*
SOLVANG ELEMENTARY SCHOOL DISTRICT
(Santa Barbara County, California)
2026 General Obligation Refunding Bonds
(Bank Qualified)

Dated: Date of Delivery **Due: August 1, as shown on inside front cover**

Authority and Purpose. The above-captioned 2026 General Obligation Refunding Bonds (the "Bonds") are being issued pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on August 19, 2026. The Bonds are being issued to refund certain outstanding general obligation bonds of the District, and to pay costs of issuance of the Bonds. See "THE REFINANCING PLAN" and "THE BONDS – Authority for Issuance" herein.

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

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

Payments. The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing February 1, 2027. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent") to DTC for subsequent disbursement to DTC Participants, which will remit such payments to beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

MATURITY SCHEDULE
(See inside cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall LLP, Bond Counsel to the District, and subject to certain other conditions. Jones Hall LLP is also serving as Disclosure Counsel to the District. Kutak Rock LLP is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about September 23, 2026.*

RAYMOND JAMES

The date of this Official Statement is _______, 2026.

** Preliminary; subject to change.*

MATURITY SCHEDULE

$3,770,000*
SOLVANG ELEMENTARY SCHOOL DISTRICT
(Santa Barbara County, California)
2026 General Obligation Refunding Bonds
(Bank Qualified)

Base CUSIP†: 83438V

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$________ ___% Term Bond due August 1, 20__; Yield ___%; Price ___, CUSIP† ___

** Preliminary; subject to change.*

† CUSIP® is a registered trademark of the American Bankers Association. All rights reserved. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc on behalf of The American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of the CUSIP data.

SOLVANG ELEMENTARY SCHOOL DISTRICT
(Santa Barbara County, California)

DISTRICT ADMINISTRATION

Sierra Loughridge, *Superintendent*
Susanne Warken*, Chief Business Official*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR
KNN Public Finance, LLC
Berkeley, California

BOND COUNSEL and DISCLOSURE COUNSEL
Jones Hall LLP
San Mateo, California

UNDERWRITER'S COUNSEL
Kutak Rock LLP
Denver, Colorado

PAYING AGENT and ESCROW BANK
U.S. Bank Trust Company, National Association
San Francisco, California

VERIFICATION AGENT
Causey Public Finance, LLC
Denver, Colorado

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

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

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

TABLE OF CONTENTS

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$3,770,000*
SOLVANG ELEMENTARY SCHOOL DISTRICT
(Santa Barbara County, California)
2026 General Obligation Refunding Bonds
(Bank Qualified)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of 2026 General Obligation Refunding Bonds (the "**Bonds**") by Solvang Elementary School District (the "**District**").

INTRODUCTION

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

The District. The District, established in 1928, is located in the northwestern portion of Santa Barbara County (the "**County**"), State of California (the "**State**"), and serves students from the City of Solvang. The District is under the jurisdiction of the Santa Barbara County Office of Education and currently operates one elementary school TK through 8. Enrollment in the District is budgeted for approximately 588 in fiscal year 2026-27.

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

Purpose of Issue. The Bonds are being issued by the District to refund all or a portion of the District's outstanding General Obligation Bonds 2006 Election, Series B (the "**2006B Bonds**"), and to pay costs of issuance of the Bonds. See "THE REFINANCING PLAN" herein.

Authority for Issuance of the Bonds. The Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Refunding Law**") and under a resolution adopted by the Board of Trustees of the District on August 19, 2026 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance."

Description of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2027. See "THE BONDS – Description of the Bonds" herein.

Payment and Registration of the Bonds. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Bonds (the "**Beneficial**

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* *Preliminary; subject to change.*

Owners") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC's book-entry only system ("**DTC Participants**") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See "THE BONDS - Registration, Transfer and Exchange of Bonds" herein.

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

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

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall LLP, Bond Counsel, to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall LLP will serve as Disclosure Counsel to the District. Kutak Rock LLP is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel, Disclosure Counsel, and Underwriter's counsel is contingent upon issuance of the Bonds.

Tax Matters; Bank Qualified. In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest. See "TAX MATTERS" and APPENDIX D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

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

Cyber Risks. The District, like other governmental and business entities, faces significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face cybersecurity threats, attacks or incidents from time to time. No assurance can be given that future cyber threats or attacks against the District or third-party entities or service providers will not directly or indirectly

[*] *Preliminary; subject to change.*

impact the District or the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the District's continuing disclosure undertakings, described in more detail herein. See APPENDIX A "FINANCIAL INFORMATION – Disclaimer Regarding Cyber Risks."

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

END OF INTRODUCTION

THE REFINANCING PLAN

On October 15, 2015, the District issued its 2006B Bonds in the aggregate principal amount of $2,736,533.35. The 2006B Bonds are subject to optional redemption on or after August 1, 2025, at a redemption price of 100% of the principal amount being redeemed, plus any accrued interest, without premium. The 2006B Bonds are currently outstanding in the initial denominational amount of $2,371,533.35, and are being refunded, as further identified in the following table.

The Bonds are being issued by the District to refund, on a current basis, certain maturities of the 2006B Bonds (the "**Refunded Bonds**"), as further identified in the following table.

SOLVANG ELEMENTARY SCHOOL DISTRICT
Identification of Refunded Bonds*

Maturity Date (August 1)	CUSIP†	Initial Denominational Amount	Redemption Date	Accreted Value at Redemption	Redemption Price
2032	83438V BY4	$283,123.30	10/23/2026	$458,406.40	100%
2033	83438V BZ1	279,560.55	10/23/2026	455,579.70	100
2034	83438V CA5	274,758.40	10/23/2026	451,142.40	100
2035	83438V CB3	271,283.00	10/23/2026	448,812.90	100
2036	83438V CC1	267,491.00	10/23/2026	445,410.00	100
2037	83438V CD9	256,470.50	10/23/2026	430,744.60	100
2038	83438V CE7	249,297.30	10/23/2026	420,508.20	100
2039	83438V CF4	245,733.30	10/23/2026	415,838.70	100
2040	83438V CG2	243,816.00	10/23/2026	413,488.00	100
Total	--	$2,371,533.35	--	$3,939,930.90	--

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

Escrow Fund. The District will deliver a portion of the proceeds of the Bonds to U.S. Bank Trust Company, National Association, as escrow agent (the "**Escrow Bank**"), for deposit in an escrow fund (the "**Escrow Fund**") established under an escrow agreement (the "**Escrow Agreement**"), entered into by and between the District and the Escrow Bank. The Escrow Bank will invest such funds in certain federal securities ("**Escrow Fund Securities**"), and will apply such funds, with cash, together with interest earnings (if any) on the investment of such funds in Escrow Fund Securities, to pay the accreted value of the Refunded Bonds on their respective redemption dates.

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

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds.

THE BONDS

Authority for Issuance

The Bonds will be issued under the authority of the Refunding Law and the Bond Resolution.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be computed based on a 360-day year of twelve 30-day months. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX F.

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2027 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2027, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as the designated paying agent, registrar and transfer agent (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

Book-Entry Only System

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

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

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the **"Term Bonds"),** are subject to mandatory sinking fund redemption on or before August 1 in the years and in the amounts in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments in the amounts and on the dates set forth below, respectively, without premium.

$________ Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Payment
(maturity)	

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

Notice of Redemption

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

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

* *Preliminary; subject to change.*

Partial Redemption of Bonds

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

Effect of Redemption

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

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

Defeasance and Discharge of Bonds

Any or all of the Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable under the Bond Resolution by the District:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

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

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of the Bond Resolution will apply in all events.

"**Federal Securities**," as defined in the Bond Resolution, means noncallable direct United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is unconditionally guaranteed by the faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

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

Solvang Elementary School District
2026 General Obligation Refunding Bonds
Debt Service Schedule

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

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

SOLVANG ELEMENTARY SCHOOL DISTRICT
Combined General Obligation Bond Debt Service Schedule

Bond Year Ending August 1	Series 2006A Bonds	Series 2006B Bonds*	Series 2006C Bonds	The Bonds	Total Debt Service
2027	$605,000.00	--	--		
2028	645,000.00	--	--		
2029	680,000.00	--	--		
2030	725,000.00	--	--		
2031	765,000.00	--	--		
2032	--	$590,000.00	$155,000.00		
2033	--	615,000.00	160,000.00		
2034	--	640,000.00	165,000.00		
2035	--	670,000.00	170,000.00		
2036	--	700,000.00	170,000.00		
2037	--	715,000.00	190,000.00		
2038	--	735,000.00	210,000.00		
2039	--	765,000.00	215,000.00		
2040	--	800,000.00	220,000.00		
2041	--	--	1,060,000.00		
2042	--	--	1,105,000.00		
2043	--	--	1,145,000.00		
2044	--	--	415,000.00		
2045	--	--	415,000.00		
Total	$3,420,000.00	$6,230,000.00	$5,795,000.00		

*Certain maturities expected to be refunded with the proceeds of the Bonds. See “THE REFINANCING PLAN” herein.

SOURCES AND USES OF FUNDS

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

Sources of Funds	**Total**
Principal Amount of Bonds	
[Net] Original Issue Premium	
Total Sources	
Uses of Funds	
Escrow Fund	
Costs of Issuance (1)	
Total Uses	

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, Escrow Bank, the Verification Agent, and the rating agency.

SECURITY FOR THE BONDS

Ad Valorem Taxes

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

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

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

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

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

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

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

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Solvang Elementary School District 2026 General Obligation Refunding Bonds Debt Service Fund" (the "**2026 Refunding Debt Service Fund**") for the Bonds, which will be established as a separate fund and which the County Treasurer will maintain as a separate account, distinct from all other funds of the County and the District. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest on the Bonds will be deposited in the 2026 Refunding Debt Service Fund held by the County promptly upon apportionment of said levy. The 2026 Refunding Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County Treasurer will transfer amounts on deposit in the 2026 Refunding Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable.

If, after payment in full of the Bonds, any amounts remain on deposit in the 2026 Refunding Debt Service Fund, the County shall transfer such amounts to the District's general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Taxation of State-Assessed Utility Property

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

Assessed Valuation

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

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

Assessed Valuation History. The table below shows a 10-year history of the District's assessed valuation.

SOLVANG ELEMENTARY SCHOOL DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Years 2016-17 to 2025-26

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2016-17	$1,329,047,954	$0	$19,227,252	$1,348,275,206	--%
2017-18	1,404,621,916	0	19,128,119	1,423,750,035	5.6
2018-19	1,462,388,326	0	20,251,242	1,482,639,568	4.1
2019-20	1,529,490,846	0	25,592,526	1,555,083,372	4.9
2020-21	1,583,342,792	0	26,618,399	1,609,961,191	3.5
2021-22	1,641,437,116	0	26,311,451	1,667,748,567	3.6
2022-23	1,755,238,879	0	28,779,687	1,784,018,566	7.0
2023-24	1,872,898,286	0	30,860,090	1,903,758,376	6.7
2024-25	1,986,414,105	0	28,399,637	2,014,813,742	5.8
2025-26	2,065,232,174	0	36,023,276	2,101,255,450	4.3

Source: California Municipal Statistics, Inc.

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

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

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

Drought. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation, which resulted in related severe flooding and mudslides in certain regions. As of August 11, 2026, the U.S. Drought Monitor indicates that the State is classified as experiencing mostly abnormally dry drought conditions, with some moderate drought conditions in the northwest, northeast and southeast parts of the State and severe drought conditions being experienced in the northwestern part of the State, with the County currently experiencing no drought conditions at this time. During 2021, the Governor of the State proclaimed a drought state of emergency for all counties in the State, culminating with an October 19, 2021, proclamation, urging Californians to step up their water conservation efforts.

In January 2022, the State Water Board adopted emergency regulations aimed at saving water and raising drought awareness, with prohibitions focused on reducing outdoor water use, enforceable by local agencies and the State Water Board, generally with warning letters, mandatory water use audits, and fines. In January 2023, the State Water Board adopted its first five-year temporary groundwater recharge permit, in addition to adopting new statewide sanitary sewer orders and appointing eleven members to the Advisory Group on Safe Drinking Water Funding. Local agencies can impose and enforce their own drought conservation rules.

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

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

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

SOLVANG ELEMENTARY SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2025-26

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Solvang	$1,711,874,928	81.47%	$1,800,218,296	95.09%
Unincorporated Santa Barbara County	389,380,522	18.53	$55,561,507,505	0.70%
Total District	$2,101,255,450	100.00%		
Santa Barbara County	$2,101,255,450	100.00%	$120,950,370,553	1.74%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2025-26. As shown, the majority of the District's assessed valuation is represented by residential property.

SOLVANG ELEMENTARY SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2025-26

Non-Residential:	2025-26 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural	$92,464,926	4.48%	77	3.20%
Commercial	202,522,727	9.81	202	8.39
Vacant Commercial	5,629,242	0.27	29	1.20
Hotel/Motel	177,179,657	8.58	37	1.54
Recreational/Golf	12,197,550	0.59	35	1.45
Government/Social/Institutional	312,763	0.02	18	0.75
Miscellaneous	3,326,778	0.16	28	1.16
Subtotal Non-Residential	$493,633,643	23.90%	426	17.69%
Residential:				
Single Family Residence	$1,298,644,910	62.88%	1,512	62.79%
Condominium/Townhouse	161,117,596	7.80	339	14.08
2-4 Residential Units	23,685,344	1.15	34	1.41
5+ Residential Units/Apartments	69,733,998	3.38	30	1.25
Miscellaneous Residential	5,118,027	0.25	2	0.08
Vacant Residential	13,298,656	0.64	65	2.70
Subtotal Residential	$1,571,598,531	76.10%	1,982	82.31%
Total	$2,065,232,174	100.00%	2,408	100.00%

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

Assessed Valuation of Single-Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2025-26, including the median and average assessed value of single-family parcels in the District.

SOLVANG ELEMENTARY SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2025-26

	No. of Parcels	2025-26 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,512	$1,298,644,910	$858,892	$786,654

2025-26 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	29	1.918%	1.918%	$2,135,414	0.164%	0.164%
$100,000 - $199,999	67	4.431	6.349	9,203,838	0.709	0.873
$200,000 - $299,999	63	4.167	10.516	16,028,873	1.234	2.107
$300,000 - $399,999	104	6.878	17.394	36,813,457	2.835	4.942
$400,000 - $499,999	110	7.275	24.669	49,651,174	3.823	8.766
$500,000 - $599,999	115	7.606	32.275	62,947,235	4.847	13.613
$600,000 - $699,999	148	9.788	42.063	96,275,252	7.414	21.026
$700,000 - $799,999	148	9.788	51.852	111,429,932	8.580	29.607
$800,000 - $899,999	145	9.590	61.442	122,870,939	9.461	39.068
$900,000 - $999,999	156	10.317	71.759	147,781,735	11.380	50.448
$1,000,000 - $1,099,999	95	6.283	78.042	98,819,303	7.609	58.057
$1,100,000 - $1,199,999	70	4.630	82.672	80,072,601	6.166	64.223
$1,200,000 - $1,299,999	44	2.910	85.582	54,986,736	4.234	68.457
$1,300,000 - $1,399,999	44	2.910	88.492	59,600,103	4.589	73.047
$1,400,000 - $1,499,999	38	2.513	91.005	54,702,138	4.212	77.259
$1,500,000 - $1,599,999	26	1.720	92.725	40,245,094	3.099	80.358
$1,600,000 - $1,699,999	22	1.455	94.180	36,232,663	2.790	83.148
$1,700,000 - $1,799,999	13	0.860	95.040	22,747,382	1.752	84.900
$1,800,000 - $1,899,999	16	1.058	96.098	29,584,475	2.278	87.178
$1,900,000 - $1,999,999	11	0.728	96.825	21,183,865	1.631	88.809
$2,000,000 and greater	48	3.175	100.000	145,332,701	11.191	100.000
	1,512	100.000%		$1,298,644,910	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the applicable County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

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

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

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

Tax Rates

Below are historical tax rates in a typical tax rate area (Tax Rate Area 6-007) within the District for fiscal years 2021-22 through 2025-26.

SOLVANG ELEMENTARY SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 6-007) (1)
Fiscal Years 2021-22 through 2025-26

	2021-22	2022-23	2023-24	2024-25	2025-26
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Solvang School District	.029760	.030000	.029400	.028810	.028230
Santa Ynez Valley Union High School District	.013500	.012820	.012180	.011570	.010990
Allan Hancock Community College District	.023850	.023850	.022660	.021530	.021530
Total Tax Rate	$1.067110	$1.066670	$1.064240	$1.061910	$1.060750
Santa Ynez River Water Conservation District I.D. 1	$0.058250	$0.049840	$0.047310	$0.044740	$0.042680
Total Land Only Tax Rate	$0.058250	$0.049840	$0.047310	$0.044740	$0.042680

(1) 2025-26 assessed valuation of TRA 6-007 is $1,440,572,030 which is 68.56% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted 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, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes the one percent general fund apportionment and the District's general obligation bond levies in its Teeter Plan.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. 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 in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Notwithstanding the County's participation in the Teeter Plan, the following tables show historical secured tax charges and delinquencies in the District.

SOLVANG ELEMENTARY SCHOOL DISTRICT
Fiscal Years 2020-21 through 2024-25
Secured Tax Charges and Delinquency Rates

Fiscal Year	Secured Tax Charge[(1)]	Amount Delinquent June 30	Percent Delinquent June 30
2020-21	$433,951.20	$4,351.96	1.00%
2021-22	486,387.53	1,826.81	0.38
2022-23	523,313.64	2,902.58	0.55
2023-24	547,706.77	10,425.14	1.90
2024-25	566,051.24	9,122.05	1.61

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

Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2025-26. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

SOLVANG ELEMENTARY SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2025-26

	Property Owner	Primary Land Use	2025-26 Assessed Valuation	% of Total [1]
1.	Santa Ynez Band of Mission Indians	Hotel	$31,949,561	1.55%
2.	Alisal Guest Ranch	Hotel	23,949,504	1.16
3.	Worldmark the Club	Resort	21,321,182	1.03
4.	Lombard Street LP	Hotel	18,900,846	0.92
5.	Palmer G. Jackson, Trustee	Resort/Golf Course	18,615,498	0.90
6.	SYBCI California Hotel No. 2 LLC	Hotel	16,042,289	0.78
7.	FLT Vineland Hotel LLC	Hotel	15,140,230	0.73
8.	FLT Oak Park FLTE LLC	Apartments	14,938,972	0.72
9.	1576 Mission Drive LLC	Hotel	13,045,830	0.63
10.	Adios LA LLC	Residential	12,047,706	0.58
11.	SBID LLC	Shopping Center	10,987,672	0.53
12.	Merkantile LLC	Shopping Center	9,698,274	0.47
13.	Radha Damodar Hospitality LLC	Hotel	9,077,340	0.44
14.	Alisal Oaks LLC	Apartments	8,753,402	0.42
15.	3R Ranch Inc.	Agricultural	8,731,568	0.42
16.	Rioux Family Trust	Residential	8,468,439	0.41
17.	Crist Family Trust	Residential	8,205,216	0.40
18.	Rohl 2012 Family Trust	Residential	8,095,082	0.39
19.	Sorensen Henning Trust	Commercial	7,210,270	0.35
20.	Refugio Ranch LLC	Agricultural	6,951,737	0.34
			$272,130,618	13.18%

(1) 2025-26 local secured assessed valuation: $2,065,232,174.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of August 1, 2026. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

SOLVANG ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of August 1, 2026)

2025-26 Assessed Valuation: $2,101,255,450

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 8/1/26**	
Allan Hancock Joint Community College District	5.312%	$7,189,262	
Santa Ynez Valley Union High School District	20.891	1,577,271	
Solvang School District	**100.000**	**6,508,721**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$15,275,254	
OVERLAPPING GENERAL FUND DEBT:			
Santa Barbara County General Fund Obligations	1.737%	$1,877,958	
Santa Ynez Union High School District Certificates of Participation	20.891	57,868	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$1,935,826	
Less: Santa Barbara County supported obligations		6,427	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$1,929,399	
GROSS COMBINED TOTAL DEBT		$17,211,080	(2)
NET COMBINED TOTAL DEBT		**$17,204,653**	

Ratios to 2025-26 Assessed Valuation:

Combined Direct Debt ($6,508,721)	**0.31%**
Total Direct and Overlapping Tax and Assessment Debt	0.73%
Gross Combined Total Debt	0.82%
Net Combined Total Debt	0.82%

(1) Excludes the Bonds offered for sale hereunder; includes Refunded Bonds to be refunded.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall LLP, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds to not be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

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

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

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

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

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

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

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

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

Legality for Investment

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

Litigation

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

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

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall LLP, as Bond Counsel and Disclosure Counsel to the District, KNN Public Finance, LLC, as municipal advisor to the District, and Kutak Rock LLP, as counsel to the Underwriter, are contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (an **"Annual Report"**) to the Municipal Securities Rulemaking Board Electronic Municipal Market Access website ("**EMMA**") not later than nine months after the end of the District's fiscal year, commencing March 31, 2027, with the report for the 2025-26 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District on EMMA. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Underwriter of the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the **"Rule"**).

The District has prior undertakings pursuant to the Rule. In the previous five years, the District has materially complied with its existing continuing disclosure undertakings. The District has engaged KNN Public Finance, LLC, to serve as its dissemination agent with respect to prior undertakings, as well as with respect to the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

ESCROW VERIFICATION

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Bonds.

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

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") has assigned a rating of "AA-" to the Bonds. The District has provided certain additional information and materials to S&P, some of which does not appear in this Official Statement to the extent deemed not material for investment purposes. The rating reflects only the view of S&P, and an explanation of the significance of the rating and outlook may be obtained only from S&P. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

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

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "**Underwriter**").

The Underwriter has agreed to purchase the Bonds at a price of $________ which is equal to the aggregate principal amount of the Bonds of $__________, plus [net] original issue premium of $__________, and less an Underwriter's discount of $_______.

The bond purchase agreement relating to the Bonds, by and between the District and the Underwriter, provides that the Underwriter will purchase all of the Bonds if any are purchased, and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

SOLVANG ELEMENTARY SCHOOL DISTRICT

By: ____
Superintendent

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APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

GENERAL INFORMATION

The District, established in 1928, is located in the northwestern portion of Santa Barbara County (the "**County**"), State of California (the "**State**"), and serves students from the City of Solvang. The District is under the jurisdiction of the Santa Barbara County Office of Education and currently operates one elementary school TK through 8. Enrollment in the District is budgeted for approximately 588 in fiscal year 2026-27.

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

Administration

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

Name	Office	Term Expires
Erin Zivic	President	December 2026
John Winckler	Clerk	December 2028
Susie Durbiano	Trustee	December 2026
Nick Kennedy	Trustee	December 2028
Mary Ellen Rehse	Trustee	December 2026

Administration. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Sierra Loughridge is the District Superintendent and Susanne Warken is the Chief Business Official.

Employee Relations

For fiscal year 2026-27 the District has budgeted for approximately 39.0 certificated full-time equivalent ("**FTE**") employees, 29.5 classified FTE employees, and 5.0 management FTE employees. The certificated employees of the District are represented by the Solvang Federation of Teachers' Association under contracts that are renegotiated each year.

Recent Enrollment Trends

The following table shows enrollment history for the District, with budgeted figures for fiscal year 2026-27.

ANNUAL ENROLLMENT
Fiscal Years 2020-21 through 2026-27
Solvang Elementary School District

Fiscal Year	Student Enrollment	% Change
2020-21	607	--%
2021-22	595	(2.0)
2022-23	593	(0.3)
2023-24	621	4.7
2024-25	602	(3.1)
2025-26	607	0.8
2026-27[1]	588	(3.1)

(1) Budgeted.
Source: California Department of Education for 2020-21 through 2025-26; Solvang Elementary School District for 2026-27.

FINANCIAL INFORMATION

Education Funding Generally

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

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

- A base grant for each local education agency per unit of average daily attendance ("**ADA**"), which varies with respect to different grade spans and are adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 65% (which was increased from 50% as part of the State's trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

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

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

Funding levels used in the LCFF entitlement calculations for fiscal year 2026-27 are set forth in the following table.

Fiscal Year 2026-27 Base Grant Funding* Under LCFF by Grade Span

Entitlement Factor	TK-3	4-6	7-8	9-12
A. 2025-26 Base Grant per ADA	$10,256	$10,411	$10,719	$12,423
B. 2026-27 Statutory COLA (A x 2.87%)	$294	$299	$308	$357
C. Additional LCFF Investment of 1.44%	$148	$150	$154	$179
D. 2026-27 Base Grants before Grade Span Adjustments (A+B+C)	$10,698	$10,860	$11,181	$12,959
E. Grade Span Adjustments (TK-3: D x 10.4%; 9-12: D x 2.6%)	$1,113	n/a	n/a	$337
F. 2026-27 Adjusted Base Grants per ADA (D+E)	$11,811	$10,860	$11,181	$13,296

*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%; (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion of Unduplicated Pupil Percentage that exceeds 55%, times 65%; and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of $5,704 times the school district's current year TK ADA.
Source: California Department of Education.

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

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

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2025 audited financial statements were prepared by Moss, Levy, & Hartzheim LLP, Santa Maria, California, and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Chief Business Official. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2020-21 through 2024-25.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2020-21 through 2024-25 (Audited)
Solvang Elementary School District(1)

Revenues	Audited 2020-21	Audited 2021-22	Audited 2022-23	Audited 2023-24	Audited 2024-25
LCFF Sources:					
State Appointment or State Aid	$1,807,020	$1,699,517	$2,186,300	$2,523,163	$2,186,853
Education Protection Account Funds	120,008	120,008	117,426	114,526	113,538
Local Sources	3,496,965	3,694,828	4,012,929	4,200,767	4,409,192
Federal Revenue	959,132	1,541,754	1,326,002	1,269,878	316,049
Other State Revenue	615,554	1,032,352	1,987,772	1,104,270	1,037,860
Other Local Revenue	360,166	107,308	201,558	472,741	537,487
Total Revenues	7,358,845	8,195,767	9,831,987	9,685,345	8,600,979
Expenditures					
Current:					
Instruction	3,830,831	4,901,804	4,661,074	5,164,760	4,841,131
Instruction-related activities	484,111	555,813	825,492	941,567	435,306
Pupil services	32,136	25,124	142,193	177,953	424,656
Ancillary services	137,186	393,826	187,284	270,750	157,098
General administration	810,583	861,337	928,453	923,089	938,925
Plant services	596,530	680,797	693,231	776,149	703,043
Other outgo	881,838	756,823	915,565	1,172,175	1,410,930
Capital outlay	7,949	21,515	--	11,327	77,480
Debt service:					
Principal	--	--	--	--	--
Interest and other	--	--	--	--	--
Total Expenditures	6,781,164	8,197,039	8,353,292	9,437,770	8,988,569
Excess of Revenues Over/(Under) Expenditures	577,681	(1,272)	1,478,695	247,575	(387,590)
Other Financing Sources (Uses)					
Transfers in	--	--	--	6,673	--
Other sources	--	--	--	--	--
Transfers out	(150,000)	(100,000)	(150,000)	(150,000)	--
Total Other Financing Sources (Uses)	(150,000)	(100,000)	(150,000)	(143,327)	--
Net Change in Fund Balance	427,681	(101,272)	1,328,695	104,248	(387,590)
Fund Balances, beginning of fiscal year (July 1)	2,466,422	2,894,103	$2,792,831	4,121,526	4,225,774
Fund Balance, end of fiscal year (June 30)	$2,894,103	$2,792,831	$4,121,526	$4,225,774	$3,838,184

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

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Santa Barbara County Superintendent of Schools (the **"County Superintendent"**). The County Superintendent is independent from and not a part of the organizational structure of the County.

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

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

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

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

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Solvang Elementary School District, 565 Atterdag Road, California 93463, Telephone: (805) 688-2810. The District may impose charges for copying, mailing and handling.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2025-26 (estimated actuals) and fiscal year 2026-27 (adopted budget).

SOLVANG ELEMENTARY SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2025-26 (Estimated Actuals)
Fiscal Year 2026-27 (Adopted Budget)

Revenues	**Estimated Actuals 2025-26**	**Adopted Budget 2026-27**
Total LCFF Sources	$7,107,900	$7,583,200
Federal Revenues	209,200	322,900
Other state revenues	1,282,200	1,166,600
Other local revenues	541,200	1,006,300
Total Revenues	9,140,500	10,079,000
Expenditures		
Certificated Salaries	3,359,000	4,219,000
Classified Salaries	1,346,000	1,736,000
Employee Benefits	2,130,800	2,783,000
Books and Supplies	277,000	433,000
Services and Other Operating Expenditures	885,000	798,000
Capital Outlay	87,200	--
Other Outgo (excluding transfers of indirect costs)	1,328,900	562,000
Other Outgo	(32,000)	--
Total Expenditures	9,381,900	10,531,000
Excess of Revenues Over/(Under) Expenditures	(241,400)	(452,000)
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	(198,600)	(1,000)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(198,600)	(1,000)
Net change in fund balance	(440,000)	(453,000)
Fund Balance, July 1	3,838,185	3,398,184
Fund Balance, June 30 (1)(2)	$3,398,184	$2,945,184

(1) Columns may not sum to totals due to rounding.
(2) The District's reserves are not accounted for in its General Fund for purposes of budgeting and projections. As such, beginning and ending fund balance figures do not correspond with presentation of audited financial statements in the previous table, because the District's audits account for reserve funds within the General Fund.
Source: Solvang Elementary School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 4% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State's minimum requirements.

Under State law, there are certain restrictions on the amounts that can be held in reserve by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in any fiscal year in which when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period, if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multi-year infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap has been triggered for fiscal year 2026-27.

As noted, the reserve cap, when triggered, does not apply to small school districts, such as the District.

Attendance - LCFF Funding

Funding Trends under LCFF. As described herein, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District for fiscal years 2020-21 through 2026-27.

SOLVANG ELEMENTARY SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2020-21 through 2026-27

Fiscal Year	ADA	LCFF Funding Per ADA
2020-21	600	$9,040
2021-22	539	10,226
2022-23	559	11,302
2023-24	569	12,026
2024-25	566	11,845
2025-26[1]	575	12,362
2026-27[2]	575	13,188

(1) Estimated actual.
(2) Budgeted.
Source: California Department of Education for fiscal years 2020-21 through 2024-25; Solvang Elementary School District for fiscal years 2025-26 and 2026-27.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 45% for purposes of calculating supplemental and concentration grant funding under LCFF. Recent federal deportation efforts may pose a risk to school districts relying on revenue from the LCFF. With the exception of community supported districts, school districts rely heavily on student attendance and enrollment, including supplemental and concentration grant add-ons for serving a high percentage of English language learner and low-income students. If undocumented students, or students who have parents or caretakers that are undocumented or have been granted temporary status, face deportation, districts may experience a decrease in student enrollment or ADA. The District cannot predict potential changes to enrollment or attendance in response to such deportation efforts.

Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238.03(c) itemizes the local revenues that are subtracted from the base entitlement to determine the amount of the State apportionment of funding. Historically, the more local property taxes a district received, the less State equalization aid it was entitled to.

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

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

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

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

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

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

District Retirement Systems

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

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

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013, however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

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

STRS EMPLOYER CONTRIBUTION RATES
Effective Dates of July 1, 2021 through July 1, 2026

Effective Date	Employer Contribution Rate
July 1, 2021	16.92%
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10
July 1, 2025	19.10
July 1, 2026	19.10

Source: STRS.

The State also continues to contribute to STRS, and its contribution rate is 8.328% in fiscal year 2026-27.

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

STRS CONTRIBUTIONS
Solvang Elementary School District
Fiscal Years 2020-21 through 2026-27

Fiscal Year	Amount
2020-21	$389,424
2021-22	379,730
2022-23	477,309
2023-24	576,240
2024-25	628,823
2025-26(1)	952,800
2026-27(2)	1,144,200

(1) Estimated actual.
(2) Budgeted.
Source: Solvang Elementary School District.

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately $75.0 billion, based on a market value of assets, as of June 30, 2025, which is the date of the last actuarial valuation.

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

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

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2020-21 through 2026-27

Fiscal Year	Employer Contribution Rate(1)
2020-21	20.700%
2021-22	22.910
2022-23	25.370
2023-24	26.680
2024-25	27.050
2025-26	26.810
2026-27	26.400

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

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

PERS EMPLOYER CONTRIBUTIONS
Solvang Elementary School District
Fiscal Years 2020-21 through 2026-27

Fiscal Year	Amount
2020-21	$175,045
2021-22	196,832
2022-23	275,369
2023-24	310,019
2024-25	386,413
2025-26(1)	311,000
2026-27(2)	458,500

(1) Estimated actual.
(2) Budgeted.
Source: Solvang Elementary School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately $35.7 billion as of June 30, 2025, which is the date of the last actuarial valuation.

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

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

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

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

Additional Information - STRS and PERS. Additional information regarding the District's retirement programs is available in Note 9 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

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

Other Post-Employment Retirement Benefits

The District does not currently offer other post-employment retirement benefits.

Insurance-Joint Powers Agreements

The District participates in three joint ventures under joint powers agreements ("**JPA's**"); the Self-Insurance Program for Employees for workers' compensation, the Self-Insured Schools of California II for property and liability insurance, and the Self-Insured Schools of California III for health and welfare insurance. The relationship between the District and the JPA's are such that none of the JPA's are a component unit of the District for financial reporting purposes.

The JPA's are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

For more information regarding the District's risk management and membership in JPAs, see Note 11 of APPENDIX B to the Official Statement.

Disclaimer Regarding Cyber Risks

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

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

Existing Debt Obligations

General Obligation Bonds. The District has voter-approved general obligation bonds which have been issued pursuant to the authority obtained from voters at elections in past years, which are secured by *ad valorem* property taxes levied and collected in the District. The following table shows the outstanding general obligation bonded debt of the District.

SUMMARY OF OUTSTANDING GENERAL OBLIGATION BONDS*
Solvang Elementary School District

Issue Date	Series	Outstanding September 1, 2026
09/13/2006	General Obligation Bonds, 2006 Election, Series A	$862,669
10/15/2015	General Obligation Bonds, 2006 Election, Series B**	2,371,533
08/06/2020	General Obligation Bonds, 2006 Election, Series C	3,274,519
Total		$6,508,721

*Does not include the Bonds offered for sale in the Official Statement.
**Certain maturities expected to be refunded with the Bonds proceeds as described in the Official Statement.
Source: The District; the Municipal Advisor.

Compensated Absences. Total unpaid employee compensated absences as of June 30, 2025, amounted to $17,808. This amount is included as part of long-term liabilities in the government-wide financial statements.

Investment of District Funds

In accordance with California Government Code Sections 53600 *et seq*., the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the California Government Code. See APPENDIX G to the Official Statement for the County's current investment policy and recent investment report.

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the ***"LAO"****). None of the District, the Underwriter or the County is responsible for the information provided in this section.*

State Funding of Education Generally

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

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

The State Budget Process

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

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

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

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

Resources Relating to State Budgets

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

- www.treasurer.ca.gov: The California State Treasurer internet home page, under the link to "Bond Finance" and sub-heading "-Public Finance Division", includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.

- www.dof.ca.gov: The California Department of Finance's (the **"DOF"**) internet home page, under the link to "California Budget", includes the text of proposed and adopted State Budgets.

- www.lao.ca.gov: The LAO's internet home page includes a link to "-The Budget" which includes analyses and commentary on fiscal outlooks.

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

The 2026-27 State Budget

On June 29, 2026, the Governor signed the fiscal year 2026-27 State Budget (the **"2026-27 State Budget"**). The 2026-27 State Budget largely maintains the framework of the Governor's May Revision to the Proposed 2026-27 State Budget, and is projected to provide for balanced State budgets in both fiscal years 2026-27 and 2027-28, while reducing projected structural deficits in fiscal years 2028-29 and 2029-30.

The 2026-27 State Budget reflects a decrease of $19.1 billion in General Fund revenues and transfers from fiscal year 2025-26 ($226.8 billion in fiscal year 2026-27 compared to $245.8 billion in fiscal year 2025-26), a 7.8% decline driven primarily by a swing in miscellaneous "Other" revenue items (from $8.6 billion to -$1.3 billion) and a $10.7 billion reduction in net transfers from the Budget Stabilization Account. The 2026-27 State Budget also reflects an increase in General Fund expenditures of $6.2 billion from fiscal year 2025-26 ($251.5 billion in fiscal year 2026-27 compared to $245.3 billion in fiscal year 2025-26), primarily reflecting broad spending increases in K-12 education, higher education, and health and human services.

Regarding the State's reserves and fund balances, the 2026-27 State Budget reverses two years of reserve drawdowns (approximately $12.2 billion withdrawn from the Budget Stabilization Account, or "Rainy Day Fund," over the 2024-25 and 2025-26 fiscal years) by including a $3.6 billion deposit into the Rainy Day Fund in fiscal year 2026-27, bringing its balance to $15.1 billion. Combined with $4.5 billion in the Special Fund for Economic Uncertainties and $9.2 billion in the Public School System Stabilization Account, the 2026-27 State Budget projects combined reserves of $28.8 billion.

The State budget for fiscal year 2025-26 included numerous spending measures that, at the time, were projected to result in almost $12 billion in ongoing savings. The 2026-27 State

Budget includes three additional revenue measures that are intended to solidify the State's fiscal structure:

- *Managed Care Organization (MCO) Tax* – A renewal of the MCO Tax effective January 1, 2027, projected to raise $575 million in fiscal year 2026-27, growing to $2.3 billion in fiscal years 2027-28 and 2028-29, and $1.7 billion in fiscal year 2029-30, to support Medi-Cal and targeted provider rate increases.

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

- *Prewritten Software Tax* – An extension of the existing sales tax on tangible prewritten software to electronically delivered prewritten software, projected to increase General Fund revenue by $450 million in fiscal year 2026-27 and $900 million annually thereafter.

The 2026-27 State Budget projects total resources available in fiscal year 2025-26 of approximately $302.5 billion, including revenues and transfers of approximately $245.8 billion and a prior year balance of approximately $56.7 billion, and total expenditures in fiscal year 2025-26 of approximately $245.3 billion. The 2026-27 State Budget projects total resources available for fiscal year 2026-27 of approximately $284.0 billion, inclusive of revenues and transfers of approximately $226.8 billion and a prior year balance of approximately $57.2 billion. The 2026-27 State Budget projects total expenditures in fiscal year 2026-27 of approximately $251.5 billion, inclusive of non-Proposition 98 expenditures of approximately $158.5 billion and Proposition 98 expenditures of approximately $92.9 billion. The 2026-27 State Budget projects a General Fund balance of $32.5 billion at the end of fiscal year 2026-27, comprising $28.0 billion in the Reserve for Liquidation of Encumbrances, $4.5 billion in the State's Special Fund for Economic Uncertainties, $9.2 billion in the Public School System Stabilization Account, and $15.1 billion in the Rainy Day Fund.

The 2026-27 State Budget includes total funding of $151.4 billion for all TK-12 education programs, including $91.1 billion from the State's General Fund and $60.3 billion from other funds. The 2026-27 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, educator workforce, and preschool.

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

Proposition 98 Minimum Guarantee. The 2026-27 State Budget reflects updated estimates of General Fund revenues, which result in adjustments to the Proposition 98 minimum guarantee. The revised minimum guarantee for TK-14 schools is estimated at $124.9 billion for fiscal year 2024-25, $125.3 billion for fiscal year 2025-26, and $128.1 billion for fiscal year 2026-27, an increase of approximately $29.2 billion over the three-year period relative to the 2024-25 Budget Act. The minimum guarantee remains in a "Test 1" for all three years, meaning it equals roughly 40% of General Fund revenues plus local property tax revenues, without adjustment for enrollment declines. The Proposition 98 calculation also requires an $8.3 billion maintenance factor payment in fiscal year 2024-

25, fully retiring the Proposition 98 maintenance factor balance. The 2026-27 State Budget maintains a $3.9 billion settle-up amount in fiscal year 2025-26 to be repaid to TK-14 schools in the future fiscal year 2026-27 Budget Act if fiscal year 2025-26 revenues hold at current levels, and fully pays the $1.9 billion settle-up owed for fiscal year 2024-25.

Proposition 98 Rainy Day Fund. The 2026-27 State Budget projects mandatory Proposition 98 Rainy Day Fund deposits of $8.7 billion across the three-year budget window, plus a discretionary deposit of $500 million in fiscal year 2025-26, bringing the fund's final balance to $9.2 billion. The $9.2 billion balance triggers school district reserve caps beginning in fiscal year 2026-27.

Rebench for Non-Local Educational Agency State Preschool Program. To streamline funding sources, the 2026-27 State Budget shifts non-local educational agencies California State Preschool Program ("**CSPP**") funding from non-Proposition 98 to Proposition 98 General Fund, rebenching the guarantee by shifting $813 million from the General Fund to Proposition 98 General Fund and increasing the Proposition 98 Guarantee Test 1 percentage from 39.3% to 39.6%.

Local Control Funding Formula. The 2026-27 State Budget includes a statutory LCFF cost-of-living adjustment ("**COLA**") of 2.87%, which, when combined with population growth adjustments, results in approximately $1.1 billion in additional discretionary funding for local educational agencies relative to the 2025-26 State Budget. An additional $1.1 billion discretionary "super COLA" brings the total COLA to 4.31%, intended to help manage rising costs, offset declining-enrollment reductions and fund the new paid pregnancy disability leave mandate. The 2026-27 State Budget also includes an ongoing $31.3 million increase for Necessary Small Schools funding.

Special Education. The 2026-27 State Budget provides a $2.4 billion increase in special education funding, equalizing the per-student funding rate across all local educational agencies at $1,340. It also includes $80 million ongoing for the special extraordinary cost pool and low-incidence disabilities add-on, $30 million one-time for the Supporting Inclusive Practices Project, $25 million one-time for the Inclusive College Technical Assistance Center, and $10 million one-time to support alternative pathways to a high school diploma for students with disabilities.

Student Support and Professional Development Discretionary Block Grant. The 2026-27 State Budget provides $5 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block Grant in order to address rising costs in addition to funding Statewide priorities including English Language Arts/English Language Development, Mathematics Framework professional development, TK-3 developmentally appropriate instruction training, teacher recruitment and retention, dual enrollment expansion, community school partnerships, and deferred facilities maintenance.

Paid Pregnancy Disability Leave. Beginning January 1, 2027, the 2026-27 State Budget requires all TK-14 schools to provide employees up to 14 weeks of paid pregnancy disability leave, with costs intended to be absorbable within the LCFF "super COLA" discretionary funding described above.

Community Schools. The 2026-27 State Budget provides $1 billion ongoing Proposition 98 General Fund to expand the community schools model, plus $50 million for middle/high school redesign, $15 million and $13 million for State and regional transformational assistance centers, and $6 million for the Transforming Together behavioral health initiative. It also includes intent language to provide $20 million ongoing beginning in fiscal year 2030-31 for county offices of education coordination services.

Literacy and Math Instruction. The 2026-27 State Budget includes a one-time $350 million extension of the Literacy Coaches and Reading Specialists Grant Program through June 30, 2031, and a one-time $50 million expansion of the Mathematics Professional Learning Partnership, extending its expiration beyond June 30, 2029.

Teacher Preparation and Professional Development. The 2026-27 State Budget includes nearly $750 million in new investments, including $408 million one-time for the Student Teacher Stipend Program plus a $5,000 stipend for high-need field candidates, $250 million one-time to continue educator residency programs through 2029-30, $30 million one-time for the Statewide teacher residency technical assistance center, $10 million one-time General Fund for the Golden State Teacher Grant Program, $15 million one-time for the 21st Century California School Leadership Academy, $10 million one-time for the Pathways to Bilingual Teaching Program, and $10 million one-time for the Classified School Employee Teacher Credentialing Program. It also funds a $5 million Statewide transcript review system and offsets the cost with a $25 increase in the clear teaching credential renewal fee.

Supports for Immigrant Students. The 2026-27 State Budget provides $100 million one-time for the California's New Americans in Schools program and $75 million one-time to establish Dream Resource Centers at high schools.

Early Education. The 2026-27 State Budget includes $250 million one-time for the Universal Prekindergarten Planning & Implementation Grant, $51.4 million ongoing for CSPP cost-of-care increases, $33.6 million ongoing to expand CSPP professional development days from 2 to 5, and $20 million ongoing for the State's Quality Rating and Improvement System.

Other Significant Budget Adjustments. The 2026-27 State Budget includes $757.3 million one-time for the Learning Recovery Emergency Block Grant, $500 million one-time for school kitchen infrastructure and training, $116 million one-time for students experiencing homelessness, $100 million one-time to increase access to college and career pathways for high school students, $40 million one-time for reading difficulties risk screening, and $10 million one-time for Holocaust and genocide education. The 2026-27 State Budget also includes new charter school accountability requirements addressing fraud, oversight, and use of verified data in the renewal process through June 30, 2028.

For the full text of the 2026-27 State Budget, see the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Disclaimer Regarding State Budgets

The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2026-27 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations. However, the Bonds described herein are secured by *ad valorem* property taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

Inflationary Adjustment of Assessed Valuation*.* As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID 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 XIIIC and XIIID (respectively, "**Article XIIIC**" and "**Article XIIID**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

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

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

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

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

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

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

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

Proposition 30 and Proposition 55

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

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

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

Proposition 2

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("**Proposition 2**") was approved by California voters on November 4, 2014. Proposition 2 triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the BSA established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in fiscal year 2015-16 and for each fiscal year thereafter, the State is required to make an annual transfer to the BSA in an amount equal to 1.5% of estimated State general fund revenues (the "Annual Stabilization Account Transfer"). For a fiscal year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the BSA (a "**Supplemental Stabilization Account Transfer**") are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the BSA.

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

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA are impacted by Proposition 2. Unilateral discretion to suspend transfers to the BSA are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the BSA for any reason, as was previously provided by law. Instead, the Governor must declare a "budget emergency" (defined as an emergency within the meaning of Article XIIIB of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA, unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the "**Public School System Stabilization Account**") into which transfers will be made in any fiscal year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to school districts and community college districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a Public School System Stabilization Account transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment ("**Proposition 19**"), which amended Article XIIIA to (i) expand as of April 1, 2021 special rules that govern the transfer of a residential property's tax base value to a replacement residence for homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home anywhere within the State, (ii) narrow as of February 16, 2021 existing special rules for the valuation of inherited real property due to a transfer between family members, and (iii) allocate most resulting State revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes. The District cannot predict whether the implementation of Proposition 19 will increase, decrease or have no overall impact on the District's assessed values.

Proposition 2 (2024)

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

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

Community College Facilities. Proposition 2 (2024) includes $1.5 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must prepare a plan listing their Statewide project priorities. The Governor and State Legislature will select specific projects to fund.

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

Future Initiatives

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

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APPENDIX B

SOLVANG ELEMENTARY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2024-25

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SOLVANG ELEMENTARY SCHOOL DISTRICT
COUNTY OF SANTA BARBARA
SOLVANG, CALIFORNIA

AUDIT REPORT
June 30, 2025

SOLVANG ELEMENTARY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2025

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION SECTION

SOLVANG ELEMENTARY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2025

FINDINGS AND RECOMMENDATIONS SECTION

FINANCIAL SECTION

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Solvang Elementary School District
Solvang, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Solvang Elementary School District, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Solvang Elementary School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Solvang Elementary School District, as of June 30, 2025, and the respective changes in financial position, and when applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2024-2025 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting,* prescribed by Title 5, *California Code of Regulations,* Section 19810. 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 Solvang Elementary School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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.

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BEVERLY HILLS · CULVER CITY · SANTA MARIA

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Solvang Elementary School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Solvang Elementary School District.

The supplementary information listed in the table of content is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of the Solvang Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Moss, Levy & Hartzheim LLP

Santa Maria, California
October 31, 2025

SOLVANG ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
Assets	
Cash in county treasury	$ 6,153,164
Cash on hand and in banks	19,073
Revolving cash fund	1,000
Accounts receivable	527,153
Land	903,222
Buildings and improvements	22,692,667
Equipment	1,179,958
Less accumulated depreciation	(11,197,766)
Total assets	20,278,471
Deferred Outflows of Resources	
Loss on refunding	12,948
Pensions	2,266,082
Total deferred outflows of resources	2,279,030
Liabilities	
Accounts payable	275,192
Unearned revenue	365
Interest payable	30,775
Long-term liabilities:	
Due within one year:	
Compensated absences	
Bonds payable	490,000
Unamortized bond premium	41,561
Total due within one year	837,893
Due after one year:	
Interest payable	3,603,990
Compensated absences	17,808
Bonds payable	7,038,721
Net pension liability	5,764,791
Unamortized bond premium	40,645
Total due after one year	16,465,955
Total liabilities	17,303,848
Deferred Inflows of Resources	
Pensions	906,615
Total deferred inflows of resources	906,615
Net Position	
Net investment in capital assets	5,980,102
Restricted for:	
Educational programs	1,649,959
Capital projects	314,178
Child nutrition	533,332
ASB	16,709
Unrestricted	(4,147,242)
Total net position	$ 4,347,038

The accompanying notes are an integral part of this statement.

SOLVANG ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 4,798,154	$ -	$ 948,660	$ 21,225
Instruction-related services:				
Supervision of instruction	211,714		14,641	
Instructional library, media, and technology	46,403			
School site administration	174,990		31,084	
Pupil services:				
Home-to-school transportation	38,986		540	
Food services	808,892	163,407	666,607	
All other pupil services	309,987		20,376	
General administration:				
All other general administration	958,615	4,933	6,615	
Plant services	1,094,273	1,184	74,622	
Ancillary services	251,293		145,358	
Interest on long-term debt	443,631			
Other outgo	1,410,930		48,481	
Depreciation (unallocated)	902,627			
Total governmental activities	$ 11,450,495	$ 169,524	$ 1,956,984	$ 21,225

General revenues:
- Taxes and subventions:
  - Taxes levied for general purposes
  - Taxes levied for debt service
- Federal and state aid not restricted to specific purposes
- Interest and investment earnings
- Interagency revenue
- Miscellaneous

Total general revenues

Change in net position

Net position, beginning of fiscal year

Net position, end of fiscal year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position
$ (3,828,269)
(197,073)
(46,403)
(143,906)
(38,446)
21,122
(289,611)
(947,067)
(1,018,467)
(105,935)
(443,631)
(1,362,449)
(902,627)
(9,302,762)
4,409,192
606,549
2,443,937
328,908
169,627
122,813
8,081,026
(1,221,736)
5,568,774
$ 4,347,038

SOLVANG ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	$ 3,729,198	$ 432,360
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	1,000	-
Accounts Receivable	320,557	132,826
Due from Other Funds	29,000	-
Total Assets	$ 4,079,755	$ 565,186
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	$ 241,206	$ 2,854
Due to Other Funds	-	29,000
Unearned Revenue	365	-
Total Liabilities	241,571	31,854
Fund Balances:		
Nonspendable	1,000	-
Restricted	648,024	533,332
Assigned	-	-
Unassigned	3,189,160	-
Total Fund Balances	3,838,184	533,332
Total Liabilities and Fund Balances	$ 4,079,755	$ 565,186

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
$ 240,187	$ 1,001,935	$ 640,869	$ 6,044,549
-	-	16,709	16,709
-	-	-	1,000
66,633	-	-	520,016
-	-	-	29,000
$ 306,820	$ 1,001,935	$ 657,578	$ 6,611,274
$ 31,132	$ -	$ -	$ 275,192
-	-	-	29,000
-	-	-	365
31,132	-	-	304,557
-	-	-	1,000
275,688	1,001,935	55,199	2,514,178
	-	602,379	602,379
	-	-	3,189,160
275,688	1,001,935	657,578	6,306,717
$ 306,820	$ 1,001,935	$ 657,578	$ 6,611,274

SOLVANG ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds			$ 6,306,717
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost	$ 24,775,847	
	Accumulated depreciation	(11,197,766)	
	Net		13,578,081
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net position, it is recognized in the period that it is incurred.			(3,634,765)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	Bonds payable	$ 7,528,721	
	Unamortized bond premium	82,206	
	Compensated absences	17,808	
	Net pension liability	5,764,791	(13,393,526)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred inflows of resources relating to pensions	$ (906,615)	
	Deferred outflows of resources relating to pensions	2,266,082	1,359,467
Internal service funds are used to charge the cost of service to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.			118,116
In governmental funds, loss on refunding is recognized as expenditures in the period they are incurred. In the government-wide statements, loss on refunding, is amortized over the life of the debt.			12,948
Total net position - governmental activities			$ 4,347,038

The accompanying notes are an integral part of this statement.

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SOLVANG ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Cafeteria Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 2,186,853	$ -
Education Protection Account Funds	113,538	-
Local Sources	4,409,192	-
Federal Revenue	316,049	224,447
Other State Revenue	1,037,860	346,651
Other Local Revenue	537,487	160,193
Total Revenues	8,600,979	731,291
Expenditures:		
Current:		
Instruction	4,841,131	-
Instruction - Related Services	435,306	-
Pupil Services	424,656	741,539
Ancillary Services	157,098	-
General Administration	938,925	29,000
Plant Services	703,043	6,959
Other Outgo	1,410,930	-
Capital Outlay	77,480	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	8,988,569	777,498
Net Change in Fund Balances	(387,590)	(46,207)
Fund Balances, July 1	4,225,774	579,539
Fund Balances, June 30	$ 3,838,184	$ 533,332

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 2,186,853
-	-	-	113,538
-	-	-	4,409,192
66,633	-	-	607,129
-	1,921	-	1,386,432
21,226	647,692	159,018	1,525,616
87,859	649,613	159,018	10,228,760
-	-	-	4,841,131
-	-	-	435,306
-	-	-	1,166,195
-	-	95,459	252,557
-	-	-	967,925
311,281	-	78,368	1,099,651
-	-	-	1,410,930
-	-	228,599	306,079
-	450,000	-	450,000
-	51,798	-	51,798
311,281	501,798	402,426	10,981,572
(223,422)	147,815	(243,408)	(752,812)
499,110	854,120	900,986	7,059,529
$ 275,688	$ 1,001,935	$ 657,578	$ 6,306,717

SOLVANG ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Total net change in fund balances - governmental funds	$ (752,812)
Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of $306,079 is less than depreciation expense, $(902,627) in the period.	(596,548)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	450,000
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	(420,452)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by $1,737.	(1,737)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:	41,561
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:	70,748
Internal service funds are used by the District to charge the costs of service to individual funds. The net income of internal service funds is reported in governmental activities.	442
In governmental funds, loss on refunding is recognized as expenditures in the period they are incurred. In the government-wide statements, loss on refunding is amortized over the life of the debt. Amortization for the period was $12,938.	(12,938)
Changes in net position - governmental activities	$ (1,221,736)

The accompanying notes are an integral part of this statement.

SOLVANG ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2025

	Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 108,615
Cash on Hand and in Banks	2,364
Accounts Receivable	7,137
Total Current Assets	118,116
Total Assets	118,116
LIABILITIES:	
Total Liabilities	-
NET POSITION:	
Unrestricted (Deficit)	118,116
Total Net Position	$ 118,116

The accompanying notes are an integral part of this statement.

SOLVANG ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	$ 536,729
Total Revenues	536,729
Operating Expenses:	
Services and Other Operating Expenses	540,733
Total Expenses	540,733
Operating Income (Loss)	(4,004)
Non-Operating Revenues (Expenses):	
Interest Income/FMW	4,446
Total Non-Operating Revenues (Expenses)	4,446
Change in Net Position	442
Net Position-July 1, 2024	117,674
Net Position-June 30, 2025	$ 118,116

The accompanying notes are an integral part of this statement.

SOLVANG ELEMENTARY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Internal Service Fund
	Self-Insurance Funds
Cash Flows from Operating Activities:	
Cash Received for Services	$ 529,592
Cash Paid for Insurance	(540,733)
Net Cash Provided (Used) by Operating Activities	(11,141)
Cash Flows from Investing Activities:	
Interest Income/FMV	4,446
Net Cash Provided (Used) for Investing Activities	4,446
Net Increase (Decrease) in Cash and Cash Equivalents	(6,695)
Cash and Cash Equivalents at Beginning of Year	117,674
Cash and Cash Equivalents at End of Year	$ 110,979
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (4,004)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(7,137)
Net Cash Provided (Used) by Operating Activities	$ (11,141)

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The reporting entity is the Solvang Elementary School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds, distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within one year after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Pensions:

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

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and nonmajor funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria.

The County School Facilities Fund is used to account for resources received from Proposition 1A, to be used for new Construction, modernization, and class size reduction.

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District Bonds, interest, and related costs.

Nonmajor Governmental Funds:

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

1. The Associated Student Body Fund is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

2. The Deferred Maintenance Fund is used for the purpose of major repairs or replacement of the District's Property.

Capital Projects Funds are set up by the District to account for special revenues that are to be used to build new facilities. The District maintains two nonmajor capital project funds:

1. The Building Fund is used to account for acquisition of major capital facilities and buildings.

2. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provisions of the California Environmental Quality Act (CEQA).

Proprietary Fund:

The Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund: the Self-Insurance Fund, which is used to provide medical benefits to its employees.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Encumbrances

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

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

I. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

J. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Santa Barbara County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Prepaid Items

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the period incurred.

4. Amortization of Bond Expense and Bond Premium

The loss on refunding and bond premium are being amortized on the straight-line method over the life of the bonds on the government-wide statements.

5. Capital Assets

Capital assets are those purchased or acquired with an original costs of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of a capital asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

5. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Solar panels		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

6. Unearned Revenue

Cash received for federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

7. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 7 and Note 9 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 9 for a detailed list of the deferred inflows of resources the District has recognized.

8. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

9. Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

10. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose.

Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

10. Fund Balances (Continued)

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

11. Property Taxes

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District.

K. Future Accounting Pronouncements

Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104	"Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2025, consisted of the following:

Cash on hand and in banks	$ 20,073
Cash and investments with the County Treasurer	6,153,164
Total cash and investments	$ 6,173,237

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments are presented on the accompanying basic financial statements, as follows:

Statement of net position:	
Cash in County Treasury	$ 6,153,164
Cash in revolving fund	1,000
Cash on hand and in banks	19,073
Total cash and investments	$ 6,173,237

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District did not have any investments that are measured under Level 1, Level 2, or Level 3.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury as part of the common investment pool ($6,078,302 as of June 30, 2025). The fair value of this pool as of that date, as provided by the plan sponsor, was $6,153,164. This amount reflects an increase in fair value of the pool of $74,862. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks ($19,073) as of June 30, 2025) and in the revolving fund ($1,000) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. One of the ways that the District manages its exposure to interest rate risk is by 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 (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More Than 60 Months
Santa Barbara County Investment Pool	$ 6,153,164	$ 6,153,164	$ -	$ -	$ -
Total	$ 6,153,164	$ 6,153,164	$ -	$ -	$ -

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization. Presented on the following page is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End AAA	Aa	Not Rated
Santa Barbara County Investment Pool	$ 6,153,164	N/A	$ -	$ -	$ -	$ 6,153,164
Total	$ 6,153,164		$ -	$ -	$ -	$ 6,153,164

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2025, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures did not exceed appropriations in any fund.

NOTE 4 - RECEIVABLES

Receivables on June 30, 2025, consist of the following:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Internal Service Fund
Federal Government:						
Federal programs	$ 41,924	$ 27,643	$ -	$ -	$ -	$ -
State Government:						
Lottery	44,222					
Categorical aid programs	234,411	49,630				
Local:						
Miscellaneous		55,553				
	$ 320,557	$ 132,826	$ -	$ -	$ -	$ -

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2025 are as follows:

Fund	Interfund Receivables	Interfund Payables
Major Fund:		
General Fund	$ 29,000	$ -
Cafeteria Fund		29,000
	$ 29,000	$ 29,000

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2025, is shown below:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital assets, not being depreciated:				
Land	$ 903,222	$ -	$ -	$ 903,222
Work in progress	244,515	212,268	456,783	-
Total capital assets, not being depreciated	$ 1,147,737	$ 212,268	$ 456,783	$ 903,222
Capital assets, being depreciated:				
Buildings and improvements	$22,692,667	$ -	$ -	$22,692,667
Equipment	629,364	550,594		1,179,958
Total capital assets, being depreciated	23,322,031	550,594		23,872,625
Less accumulated depreciation for:				
Buildings and improvements	9,801,404	815,960		10,617,364
Equipment	493,735	86,667		580,402
Total accumulated depreciation	10,295,139	902,627		11,197,766
Total capital assets, being depreciated	$13,026,892	$ (352,033)	$ -	$12,674,859
Governmental activities, capital assets, net	$14,174,629	$ (139,765)	$ 456,783	$13,578,081

Depreciation expense was charged to governmental activities, as follows:

Governmental Activities:	
Unallocated	$ 902,627
Total depreciation expense	$ 902,627

NOTE 7 - DEFERRED OUTFLOWS OF RESOUCES – DEBT REFUNDING

At June 30, 2025, deferred outflows of resources, relating to debt refunding, reported in the statement of net position, consisted of the following:

	Governmental Activities
Deferred charge on refunding	$ 12,948

NOTE 8 - BONDED DEBT

The outstanding general obligation bonded debt of the Solvang Elementary School District at June 30, 2025, is:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2024	Issued Current Fiscal Year	Redeemed Current Fiscal Year	Outstanding June 30, 2025
2006	4.00% - 4.73%	2031	$ 5,637,669	$ 862,669	$ -	$ -	$ 862,669
2015	2.00% - 4.85%	2040	2,736,533	2,491,533		45,000	2,446,533
2015	2.00% - 4.00%	2026	3,430,000	1,350,000		405,000	945,000
2020	2.19% - 2.86%	2045	3,274,519	3,274,519			3,274,519
				$ 7,978,721	$ -	$ 450,000	$ 7,528,721

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2025, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2026	$ 490,000	$ 30,775	$ 520,775
2027	530,000	10,600	540,600
2028	172,667	432,333	605,000
2029	173,357	471,643	645,000
2030	172,115	507,885	680,000
203 - 2035	1,494,576	2,320,424	3,815,000
2036 - 2040	1,903,681	2,636,319	4,540,000
2041 - 2045	2,388,201	2,356,799	4,745,000
2046	204,124	210,878	415,002
	$ 7,528,721	$ 8,977,656	$16,506,377

NOTE 9 - PENSION PLANS

State Teachers' Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – All qualified California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system are eligible to participate in the CalSTRS Pension Plans, multiple-employer, cost-sharing defined benefit plans administered by the California State Teacher's Retirement System (CalSTRS). Benefit provisions under the Plans are established by the Teachers' Retirement Law (California Education Code Section 22000 et seq), as enacted and amended by the California Legislature. The benefit terms of the plans may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

Benefits Provided – The CalSTRS Defined Benefit Program has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and survivors/beneficiaries upon death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50.0 percent of final compensation plus 10.0 percent of final compensation for each eligible child, up to a maximum addition of 40.0 percent. The member must have a disability that will exceed a period of 12 or more months to qualify for benefit.

Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit. Other compensation, such as allowances, bonuses, cash in-lieu of fringe benefits, limited-period compensation or compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.

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

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contributions rates	10.250%	10.205%
Required employer contribution rates	19.10%	19.10%
Required state contribution rates	10.828%	10.828%

Specific details for the retirement, disability or death benefit calculations for each of the pension plans are available in the CalSTRS Annual Comprehensive Financial Report (ACFR). The CalSTRS' ACFR is available online at http://www.calstrs.com/annual-comprehensive-financial-report.

Contributions – Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

On-Behalf Payments – The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions to CalSTRS.

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

A. General Information about the Pension Plan (Continued)

For the fiscal year ended June 30, 2025, the contributions recognized as part of pension expense were as follows:

Contribution-employer	$ 628,823
Contribution-state	$ 295,750

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/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:

District's proportionate share of the net pension liability	$	3,192,560
State's proportionate share of the net pension liability associated with the District		1,578,280
Total	$	4,770,840

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .0048%, which decreased .0003% from its proportion measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the District recognized pension expense of $240,835. 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
Difference between expected and actual experience	$ 361,147	$ 139,692
Changes of assumptions	13,975	218,013
Net difference between projected and actual earnings on pension plan investments		13,043
Changes in proportion and differences between District contributions and proportionate share of contributions	430,631	416,784
District contributions subsequent to the measurement date	585,610	
Total	$ 1,391,363	$ 787,532

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

$585,610 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30		Amount
2026	$	(200,355)
2027	$	285,684
2028	$	(3,981)
2029	$	(5,300)
2030	$	(11,806)
2031	$	(46,021)

Actuarial Assumptions – The total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. On January 31, 2020, the CalSTRS' retirement board changed the mortality assumptions based on the July 1, 2015, through June 30, 2018, Experience Analysis. The projection scale was set to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries. For further details, see CalSTRS July 1, 2015 through June 30, 2018 Experience Analysis on the CalSTRS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance – PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on January 31, 2020, the date the current experience study was approved by the board. Best estimates of 10 year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table on the next page:

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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%
Inflations Sensitive	7%	3.65%
Cash/Liquidity	2%	0.05%
Total	100%	

*10-year geometric average

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.10%
Net Pension Liability	$	5,678,522
Current Discount Rate		7.10%
Net Pension Liability	$	3,192,560
1% Increase		8.10%
Net Pension Liability	$	1,116,681

Pension Plan Fiduciary Net Position – Detailed information about pension plan's fiduciary net position is available in the separately issued CalSTRS financial reports.

C. Payable to the Pension Plan

At June 30, 2025, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2025.

NOTE 9 - PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description – The Solvang Elementary School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Benefits Provided – The CalPERS Defined Benefit Program has two benefit formulas:

CalPERS 2% at 55: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalPERS

CalPERS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalPERS

The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

A family benefit is available if an active member dies and has at least one year of credited service.

Members' accumulated contributions are refundable with interest upon separation from CalPERS. The board determines the credited interest rate each fiscal year.

The member's benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalPERS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

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

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 50	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17% to 2.5%	1.00% to 2.5%
Required employee contributions rates	7%	8%
Required employer contribution rates	27.05%	27.05%

Specific details for retirement, disability, or death benefit calculations for each of the pension plans are available in the CalPERS' Annual Comprehensive Financial Report (ACFR). The CalPERS' ACFR is available online at https://www.calpers.ca.gov/page/forms-publications.

Contributions – Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 Local Government is required to contribute the difference between the actuarially determined rate of employees.

NOTE 9 - PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2025, the contributions recognized as part of pension expense were as follows:

Contribution – employer	$	386,413

As of June 30, 2025, the District's reported net pension liability for its proportionate share of the net pension liability was $2,572,231.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .0072%, which increased by .0001% from its proportion measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the District recognized pension expense of $524,938. 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
Difference between expected and actual experience	$ 215,644	$ 18,409
Changes of assumptions	56,855	
Net difference between projected and actual earnings on pension plan investments	99,916	
Changes in proportion and differences between District contributions and proportionate share of contributions	111,444	100,674
District contributions subsequent to the measurement date	390,860	
	$ 874,719	$ 119,083

$390,860 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2026	$ 161,120
2027	$ 202,433
2028	$ 32,838
2029	$ (31,615)

NOTE 9 - PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related toPensions (Continued)

Actuarial Assumptions –The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies
Post-retirement Benefit Increases	Up to 2.00% until purchasing power protection Allowance flows purchasing power applies, 2.30% thereafter

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF B), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing the plans, the tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund, including PERF B. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, 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 project portfolio return.

The expected real rates of return by asset class are as followed:

Asset Class	New Strategic Allocation	Expected Real Rate of Return Years 1-10(a)(b)
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%
Total	100%	

(a) An expected inflation of 2.30% was used for this period
(b) Figures are based on the 2021-22 Asset Liability Management study.

NOTE 9 - PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		5.90%
Net Pension Liability	$	3,821,070
Current Discount Rate		6.90%
Net Pension Liability	$	2,572,231
1% Increase		7.90%
Net Pension Liability	$	1,540,590

Pension Plan Fiduciary Net Position – Detailed information about pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2025, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2025.

NOTE 10 - LONG-TERM LIABILITIES - SCHEDULE OF CHANGES

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2025, is shown below:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due within One Year
Bonds payable	$ 7,978,721	$ -	$ 450,000	$ 7,528,721	$ 490,000
Compensated absences	16,071	48,046	46,309	17,808	
Net pension liability	6,402,902		638,111	5,764,791	
Bond premiums	123,767		41,561	82,206	41,561
	$14,521,461	$ 48,046	$ 1,175,981	$13,393,526	$ 531,561

NOTE 11 - JOINT VENTURES (Joint Powers Agreements)

The Solvang Elementary School District participates in three joint ventures under joint powers agreements (JPA's); the Self-Insurance Program for Employees, the Self-Insured Schools of California II, and the Self-Insured Schools of California III. The relationship between the Solvang Elementary School District and the JPA's are such that none of the JPAs are a component unit of the Solvang Elementary School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The Self-Insurance Program for Employees (S.I.P.E.)

S.I.P.E. was established to provide the services and other items necessary and appropriate for the development, operation, and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college.

Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budgeting decisions.

NOTE 11 - JOINT VENTURES (Joint Powers Agreements) (Continued)

The Self-Insured Schools of California II (S.I.S.C. II)

S.I.S.C. II arranges for and provides property and liability insurance for its member school districts. The Solvang Elementary School District pays a premium commensurate with the level of coverage requested.

The Self-Insured Schools of California III (S.I.S.C. III)

S.I.S.C III arranges for and provides health and welfare insurance for its member school districts. The Solvang Elementary School District pays a premium commensurate with the level of health and welfare insurance provided.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 13 - NET POSITION

The government-wide and fiduciary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

NOTE 14 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	$ 1,000	$ -	$ -	$ -	$ -	$ 1,000
Restricted						
Expanded Learning Opportunities Program	376,722					376,722
Arts, Music, and Instructional Materials Discretionary Block Grant	110,232					110,232
Arts and Music in Schools (Prop 28)	410					410
Educator effectiveness	28,100					28,100
Lottery: instructional materials	57,078					57,078
Mental health-related services	6,404					6,404
Other state	4,078					4,078
Other local	65,000					65,000
Child nutrition		533,332				533,332
ASB					16,709	16,709
Capital projects			275,688		38,490	314,178
Debt service				1,001,935		1,001,935
Assigned						
Deferred maintenance projects					602,379	602,379
Unassigned	3,189,160					3,189,160
Total	$ 3,838,184	$ 533,332	$ 275,688	$ 1,001,935	$ 657,578	$ 6,306,717

REQUIRED SUPPLEMENTARY INFORMATION

SOLVANG ELEMENTARY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 2,471,600	$ 2,186,800	$ 2,186,853	$ 53
Education Protection Account Funds	114,000	113,600	113,538	(62)
Local Sources	4,178,000	4,408,900	4,409,192	292
Federal Revenue	353,700	316,400	316,049	(351)
Other State Revenue	970,900	1,031,300	1,037,860	6,560
Other Local Revenue	337,800	438,600	537,487	98,887
Total Revenues	8,426,000	8,495,600	8,600,979	105,379
Expenditures:				
Current:				
Certificated Salaries	3,292,000	3,173,200	3,171,782	1,418
Classified Salaries	1,351,000	1,333,500	1,331,211	2,289
Employee Benefits	2,197,000	2,066,000	2,061,178	4,822
Books And Supplies	356,000	391,000	389,876	1,124
Services And Other Operating Expenditures	616,700	578,800	575,112	3,688
Other Outgo	1,442,300	1,411,000	1,410,930	70
Direct Support/Indirect Costs	-	(29,000)	(29,000)	-
Capital Outlay	15,000	77,500	77,480	20
Total Expenditures	9,270,000	9,002,000	8,988,569	13,431
Net Change in Fund Balance	(844,000)	(506,400)	(387,590)	118,810
Fund Balance, July 1	4,225,774	4,225,774	4,225,774	-
Fund Balance, June 30	$ 3,381,774	$ 3,719,374	$ 3,838,184	$ 118,810

SOLVANG ELEMENTARY SCHOOL DISTRICT
CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Federal Revenue	$ 235,000	$ 224,400	$ 224,447	$ 47
Other State Revenue	328,000	346,600	346,651	51
Other Local Revenue	151,000	147,900	160,193	12,293
Total Revenues	714,000	718,900	731,291	12,391
Expenditures:				
Current:				
Classified Salaries	306,000	310,000	309,949	51
Employee Benefits	162,000	156,200	155,887	313
Books And Supplies	305,000	268,000	267,616	384
Services And Other Operating Expenditures	17,000	15,300	15,046	254
Direct Support/Indirect Costs	-	29,000	29,000	-
Total Expenditures	790,000	778,500	777,498	1,002
Net Change in Fund Balance	(76,000)	(59,600)	(46,207)	13,393
Fund Balance, July 1	579,539	579,539	579,539	-
Fund Balance, June 30	$ 503,539	$ 519,939	$ 533,332	$ 13,393

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SOLVANG ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years
As of June 30, 2025

The following table provides required supplementary information regarding the District's CalPERS Pension Plan.

	2025	2024	2023	2022
Proportion of the net pension liability	0.0072%	0.0071%	0.0077%	0.0065%
Proportionate share of the net pension liability	$ 2,572,231	$ 2,555,769	$ 2,663,739	$ 1,315,382
Covered payroll	$ 1,419,580	$ 1,221,991	$ 1,186,495	$ 950,879
Proportionate share of the net pension liability as percentage of covered payroll	181.20%	209.15%	224.50%	138.33%
Plan's total pension liability	$ 128,972,454,994	$ 120,513,549,175	$ 113,794,594,060	$ 106,857,487,903
Plan's fiduciary net position	$ 93,233,655,349	$ 84,314,661,436	$ 79,385,508,859	$ 86,523,055,855
Plan fiduciary net position as a percentage of the total pension liability	72.29%	69.96%	69.76%	80.97%

Notes to Schedule

There were no changes in assumptions for the fiscal year ended June 30, 2025.

2021		2020		2019		2018		2017		2016
0.0062%		0.0055%		0.0055%		0.0070%		0.0076%		0.0740%
$ 1,890,674	$	1,608,544	$	1,462,736	$	1,660,428	$	1,490,792	$	1,081,478
$ 887,607	$	764,467	$	723,598	$	886,938	$	903,376	$	819,718
213.01%		210.41%		202.15%		187.21%		165.02%		131.93%
$ 102,289,672,089	$	97,300,991,939	$	91,459,283,785	$	84,871,025,628	$	75,663,026,434	$	71,651,164,353
$ 71,606,596,106	$	68,156,740,617	$	64,796,135,561	$	60,998,386,333	$	55,912,964,588	$	56,911,065,643
70.00%		70.05%		70.85%		71.87%		73.90%		79.43%

SOLVANG ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years
As of June 30, 2025

The following table provides required supplementary information regarding the District's CalSTRS Pension Plan.

	2025	2024	2023	2022
Proportion of the net pension liability	0.0048%	0.0051%	0.0050%	0.0042%
Proportionate share of the net pension liability	$ 3,192,560	$ 3,847,133	$ 3,472,202	$ 1,928,533
State's proportionate share of net pension liability associated with the District	1,578,280	1,850,039	1,709,776	1,055,931
Total	$ 4,770,840	$ 5,697,172	$ 5,181,978	$ 2,984,464
Covered payroll	$ 3,292,267	$ 3,016,963	$ 2,820,975	$ 2,351,269
Proportionate share of the net pension liability as percentage of covered payroll	96.97%	127.52%	123.09%	82.02%
Plan's total pension liability	$ 408,183,075,000	$ 393,082,157,000	$ 369,543,996,000	$ 355,802,665,000
Plan's fiduciary net position	$ 341,017,675,995	$ 316,918,509,995	$ 300,056,284,995	$ 310,293,452,995
Plan fiduciary net position as a percentage of the total pension liability	83.55%	80.62%	81.20%	87.21%

Notes to Schedule

There were no changes in assumptions for the fiscal year ended June 30, 2025.

	2021	2020	2019	2018	2017	2016
	0.0042%	0.0041%	0.0041%	0.0038%	0.0039%	0.0046%
	$ 4,080,103	$ 3,726,399	$ 3,790,458	$ 3,523,859	$ 3,115,245	$ 3,071,666
	2,807,355	3,571,044	2,028,462	2,480,286	2,225,276	1,617,535
	$ 6,887,458	$ 7,297,443	$ 5,818,920	$ 6,004,145	$ 5,340,521	$ 4,689,201
	$ 2,277,333	$ 2,248,028	$ 2,167,145	$ 2,070,715	$ 1,891,855	$ 2,108,423
	179.16%	165.76%	174.91%	170.18%	164.67%	145.69%
	$ 343,894,793,000	$ 329,179,420,010	$ 316,777,450,000	$ 302,770,146,000	$ 269,994,690,000	$ 259,146,248,000
	$ 246,983,743,995	$ 238,861,887,995	$ 224,868,634,995	$ 210,289,899,995	$ 189,113,486,995	$ 191,822,335,995
	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%

SOLVANG ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years
As of June 30, 2025

The following table provides required supplementary information regarding the District's CalPERS Pension Plan.

	2025	2024	2023	2022
Contractually required contribution (actuarially determined)	$ 390,860	$ 378,744	$ 310,019	$ 271,826
Contribution in relation to the actuarially determined contributions	390,860	378,744	310,019	271,826
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,444,954	$ 1,419,580	$ 1,221,991	$ 1,186,495
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%

Notes to Schedule

There were no changes in assumptions for the fiscal year ended June 30, 2025.

	2021	2020	2019	2018	2017	2016
	$ 196,832	$ 175,045	$ 138,078	$ 112,382	$ 123,178	$ 107,023
	196,832	175,045	138,078	112,382	123,178	107,023
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 950,879	$ 887,607	$ 764,467	$ 723,598	$ 886,938	$ 903,376
	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%

SOLVANG ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years
As of June 30, 2025

The following table provides required supplementary information regarding the District's CalSTRS Pension Plan.

	2025	2024	2023	2022
Contractually required contribution (actuarially determined)	$ 585,610	$ 628,823	$ 576,240	$ 477,309
Contribution in relation to the actuarially determined contributions	585,610	628,823	576,240	477,309
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 3,066,021	$ 3,292,267	$ 3,016,963	$ 2,820,975
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%

Notes to Schedule

There were no changes in assumptions for the fiscal year ended June 30, 2025.

	2021	2020	2019	2018	2017	2016
	$ 379,730	$ 389,424	$ 365,979	$ 312,719	$ 260,496	$ 202,996
	379,730	389,424	365,979	312,719	260,496	202,996
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 2,351,269	$ 2,277,333	$ 2,248,028	$ 2,167,145	$ 2,070,715	$ 1,891,855
	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%

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SUPPLEMENTARY INFORMATION SECTION

SOLVANG ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash in County Treasury	$ 602,379	$ 38,490	$ 640,869
Cash on Hand and in Banks	16,709	-	16,709
Total Assets	$ 619,088	$ 38,490	$ 657,578
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Total Liabilities	$ -	$ -	$ -
Fund Balances:			
Restricted	16,709	38,490	55,199
Assigned	602,379	-	602,379
Total Fund Balances	619,088	38,490	657,578
Total Liabilities and Fund Balances	$ 619,088	$ 38,490	$ 657,578

SOLVANG ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Other Local Revenue	$ 113,966	$ 45,052	$ 159,018
Total Revenues	113,966	45,052	159,018
Expenditures:			
Current:			
Ancillary Services	95,459	-	95,459
Plant Services	65,718	12,650	78,368
Capital Outlay	-	228,599	228,599
Total Expenditures	161,177	241,249	402,426
Net Change in Fund Balances	(47,211)	(196,197)	(243,408)
Fund Balances, July 1	666,299	234,687	900,986
Fund Balances, June 30	$ 619,088	$ 38,490	$ 657,578

SOLVANG ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2025

	Associated Student Body Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash in County Treasury	$ -	$ 602,379	$ 602,379
Cash on Hand and in Banks	16,709	-	16,709
Total Assets	$ 16,709	$ 602,379	$ 619,088
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Total Liabilities	$ -	$ -	$ -
Fund Balances:			
Restricted	16,709	-	16,709
Assigned	-	602,379	602,379
Total Fund Balances	16,709	602,379	619,088
Total Liabilities and Fund Balances	$ 16,709	$ 602,379	$ 619,088

SOLVANG ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Associated Student Body Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Other Local Revenue	$ 79,729	$ 34,237	$ 113,966
Total Revenues	79,729	34,237	113,966
Expenditures:			
Current:			
Ancillary Services	95,459	-	95,459
Plant Services	-	65,718	65,718
Total Expenditures	95,459	65,718	161,177
Net Change in Fund Balances	(15,730)	(31,481)	(47,211)
Fund Balances, July 1	32,439	633,860	666,299
Fund Balances, June 30	$ 16,709	$ 602,379	$ 619,088

SOLVANG ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2025

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds
ASSETS:			
Cash in County Treasury	$ -	$ 38,490	$ 38,490
Total Assets	$ -	$ 38,490	$ 38,490
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Total Liabilities	$ -	$ -	$ -
Fund Balances:			
Restricted	-	38,490	38,490
Total Fund Balances	-	38,490	38,490
Total Liabilities and Fund Balances	$ -	$ 38,490	$ 38,490

SOLVANG ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Building Fund	Capital Facilities Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Other Local Revenue	$ 6,562	$ 38,490	$ 45,052
Total Revenues	6,562	38,490	45,052
Expenditures:			
Current:			
Plant Services	12,650	-	12,650
Capital Outlay	228,599	-	228,599
Total Expenditures	241,249	-	241,249
Fund Balances, July 1	234,687	-	234,687
Fund Balances, June 30	$ -	$ 38,490	$ 38,490

SOLVANG ELEMENTARY SCHOOL DISTRICT
ASSOCIATED STUDENT BODY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 79,700	$ 79,729	$ 29
Total Revenues	79,700	79,729	29
Expenditures:			
Current:			
Books And Supplies	26,900	26,807	93
Services And Other Operating Expenditures	68,700	68,652	48
Total Expenditures	95,600	95,459	141
Net Change in Fund Balance	(15,900)	(15,730)	170
Fund Balance, July 1	32,439	32,439	-
Fund Balance, June 30	$ 16,539	$ 16,709	$ 170

SOLVANG ELEMENTARY SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 18,700	$ 34,237	$ 15,537
Total Revenues	18,700	34,237	15,537
Expenditures:			
Current:			
Books And Supplies	1,200	1,092	108
Services And Other Operating Expenditures	64,700	64,626	74
Total Expenditures	65,900	65,718	182
Net Change in Fund Balance	(47,200)	(31,481)	15,719
Fund Balance, July 1	633,860	633,860	-
Fund Balance, June 30	$ 586,660	$ 602,379	$ 15,719

SOLVANG ELEMENTARY SCHOOL DISTRICT
BUILDING FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 6,700	$ 6,562	$ (138)
Total Revenues	6,700	6,562	(138)
Expenditures:			
Current:			
Services And Other Operating Expenditures	12,700	12,650	50
Capital Outlay	228,600	228,599	1
Total Expenditures	241,300	241,249	51
Net Change in Fund Balance	(234,600)	(234,687)	(87)
Fund Balance, July 1	234,687	234,687	-
Fund Balance, June 30	$ 87	$ -	$ (87)

SOLVANG ELEMENTARY SCHOOL DISTRICT
CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 38,000	$ 38,490	$ 490
Total Revenues	38,000	38,490	490
Expenditures:			
Total Expenditures	-	-	-
Net Change in Fund Balance	38,000	38,490	490
Fund Balance, July 1	-	-	-
Fund Balance, June 30	$ 38,000	$ 38,490	$ 490

SOLVANG ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2025

The Solvang Elementary School District, established in 1928, is located in the City of Solvang in the center of the Santa Ynez Valley, in the northern portion of Santa Barbara County, which is comprised of nearly 2,750 square miles of land and inland water area. The District is currently operating an elementary school and a junior high with grades transitional kindergarten through eighth. No changes in the boundaries of the District occurred during the current fiscal year.

BOARD OF TRUSTEES

Name	Office	Term Expires
Erin Zivic	President	2026
John Winckler	Clerk	2028
Susie Durbiano	Member	2026
MaryEllen Rehse	Member	2026
Nick Kennedy	Member	2028

DISTRICT ADMINISTRATION

Sierra Loughridge
Superintendent

Heidi Peterson
Principal

Dawn Stewart
Chief Business Official

SOLVANG ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Second Period Report	Annual Report
Elementary		
TK/Kindergarten through third	265.07	265.88
Fourth through sixth	166.82	167.38
Seventh and eight	133.08	133.17
	564.97	566.43

Average daily attendance 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.

There was no audit finding which resulted in necessary revisions to attendance.

SOLVANG ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Grade Level	Ed. Code 46207 Minutes Requirement	2024-25 Actual Minutes	Number of days Traditional Calendar	Status
Kindergarten	36,000	53,730	180	In compliance
Grade 1	50,400	51,030	180	In compliance
Grade 2	50,400	54,990	180	In compliance
Grade 3	50,400	54,990	180	In compliance
Grade 4	54,000	54,990	180	In compliance
Grade 5	54,000	54,990	180	In compliance
Grade 6	54,000	57,304	180	In compliance
Grade 7	54,000	57,304	180	In compliance
Grade 8	54,000	57,304	180	In compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District met or exceeded its targeted funding.

SOLVANG ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

General Fund	2026 (budget) (note 2)	2025	2024	2023
Revenues and other financial sources	$ 8,635,000	$ 8,600,979	$ 9,692,018	$ 9,831,987
Expenditures	9,286,000	8,988,569	9,437,770	8,353,292
Other uses and transfers			150,000	150,000
Total outgo	9,286,000	8,988,569	9,587,770	8,503,292
Change in fund balance	(651,000)	(387,590)	104,248	1,328,695
Ending fund balance	$ 3,187,184	$ 3,838,184	$ 4,225,774	$ 4,121,526
Available reserves (note 1)	$ 2,641,061	$ 3,190,160	$ 3,004,692	$ 2,718,591
Reserve for economic uncertainties	$ -	$ -	$ -	$ -
Undesignated/unassigned fund balance	$ 2,641,061	$ 3,190,160	$ 3,004,692	$ 2,718,591
Available reserves as a percentage of total outgo	28.4%	35.5%	31.3%	32.0%
Total long-term liabilities	12,861,965	13,393,526	14,521,461	14,713,605
Average daily attendance at P-2	575	565	568	557

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal 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.

The General Fund balance has decreased by $283,342 over the past two fiscal years. The fiscal year 2025-26 budget projects a decrease in the ending fund balance of $651,000. For a District this size, the State recommends available reserves of at least 4 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years and anticipates an operating deficit for the 2025-26 fiscal year. Total long-term liabilities have decreased by $1,320,079 over the past two fiscal years.

Average daily attendance has increased by 8 over the past two fiscal years. An increase of 10 in average daily attendance is anticipated during the fiscal year 2025-26.

Notes:
1. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
2. Budget 2026 is included for analytical purposes only and has not been subjected to audit.

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SOLVANG ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Deferred Maintenance Fund	Cafeteria Fund
June 30, 2025 annual financial and budget report fund balances/net position	$ 3,838,184	$ 602,379	$ 533,332
June 30, 2025 audited financial statements fund balances/net position	$ 3,838,184	$ 602,379	$ 533,332

	Long-Term Liabilities
June 30, 2025 annual financial and budget report long-term liabilities	$ 14,026,686
Overstatement of net pension liability	(638,111)
Understatement of compensated absences	4,951
June 30, 2025 audited financial statements long-term liabilities	$ 13,393,526

This schedule provides the information necessary to reconcile the fund balances/net position of all funds and the total long-term liabilities to the audited financial statements.

Capital Facilities Fund	Building Fund	Bond Interest and Redemption Fund	Self-Insurance Fund	Associated Student Body Fund	County School Facilities Fund
$ 38,490	$ -	$ 1,001,935	$ 118,116	$ 16,709	$ 275,688
$ 38,490	$ -	$ 1,001,935	$ 118,116	$ 16,709	$ 275,688

Moss, Levy & Hartzheim LLP
Certified Public Accountants

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

Board of Trustees
Solvang Elementary School District
Solvang, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Solvang Elementary School District (the District), as of and for the fiscal 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 October 31, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
October 31, 2025

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BEVERLY HILLS · CULVER CITY · SANTA MARIA

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Solvang Elementary School District
Solvang, California

Report on State Compliance

Opinion

We have audited the Solvang Elementary School District's (the District) compliance with the types of compliance requirements described in the *2024-2025 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of Solvang Elementary School District's state programs identified below for the fiscal year ended June 30, 2025.

In our opinion, the Solvang Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other state compliance for the fiscal 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2024-2025 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations,* Section 19810. 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 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 its state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether a 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 California K-12 Local Educational Agencies and State Compliance Reporting* 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 controls. 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.

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In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of California K-12 Local Educational 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 California K-12 Local Educational Agencies and State Compliance Reporting,* but not for the purpose of expressing an opinion on the effectiveness of the Solvang Elementary School District's internal control. 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:

Compliance Requirements		Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:		
A.	Attendance Reporting	Yes
B.	Teacher Certification and Misassignments	Yes
D.	Independent Study	Not applicable
E.	Continuation Education	Not applicable
F.	Instructional Time	Yes
G.	Instructional Materials	Yes
H.	Ratios of Administrative Employees to Teachers	Yes
I.	Classroom Teacher Salaries	Yes
J.	Early Retirement Incentive	Not applicable
K.	GANN Limit Calculation	Yes
L.	School Accountability Report Card	Yes
M.	Juvenile Court Schools	Not applicable
N.	Middle or Early College High Schools	Not applicable
O.	K-3 Grade Span Adjustment	Yes
Q.	Apprenticeship, Related and Supplemental Instruction	Not applicable
R.	Comprehensive School Safety Plan	Yes
S.	District of Choice	Not applicable
TT.	Home to School Transportation Reimbursement	Not applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:		
T.	Proposition 28 Arts and Music in Schools	Yes
U.	After/Before School Education and Safety Program	Not applicable
V.	Proper Expenditure of Education Protection Account Funds	Yes
W.	Unduplicated Local Control Funding Pupil Counts	Yes
X.	Local Control and Accountability Plan	Yes
Y.	Independent Study- Course Based	Not applicable
Z.	Immunizations	Not applicable
AZ.	Educator Effectiveness	Yes
BZ.	Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ.	Career Technical Education Incentive Grant	Not applicable
DZ.	Expanded Learning Opportunities Program	Yes
EZ.	Transitional Kindergarten	Yes
FZ.	Kindergarten Continuance	Yes

Compliance Requirements		Procedures Performed
CHARTER SCHOOLS:		
AA.	Attendance	Not applicable
BB.	Mode of Instruction	Not applicable
CC.	Nonclassroom-Based Instruction/Independent Study	Not applicable
DD.	Determination of Funding for Nonclassroom-Based Instruction	Not applicable
EE.	Annual Instruction Minutes – Classroom Based	Not applicable
FF.	Charter School Facility Grant Program	Not applicable

The term "not applicable" is used above to mean either Solvang Elementary School District did not offer 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.

Internal Control over Compliance

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

Our consideration of internal control over compliance was the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting.* Accordingly, this report is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
October 31, 2025

FINDINGS AND RECOMMENDATIONS SECTION

SOLVANG ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2025

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	______ Yes	__X__ No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?	______ Yes	__X__ No
Type of auditors' report issued on compliance for state programs:	Unmodified	

Section II - Financial Statements Findings

No Financial Statement Findings in the fiscal year.

Section III - State Award Findings and Questioned Costs

No State Award Findings or Questioned Costs in the fiscal year.

Section II – Financial Statements Findings

No financial statement findings in the prior fiscal year.

Section III - Federal Award Findings and Questioned Costs

No Federal Award Findings or Questioned Costs in the prior fiscal year.

Section IV - State Award Findings and Questioned Costs

FINDING 2024-001
EXPANDED LEARNING OPPORTUNITIES PROGRAM
40000

CRITERIA:
In accordance with Education Code Section 46120, school districts must offer the expanded learning opportunities program on all instructional days and 30 noninstructional days.

CONDITION:
In our examination of the program, the District's program did not start until September 5th.

EFFECT:
The program did not operate for 12 days and thus is out of compliance.

CAUSE:
The District was using an outside vendor to help operate the program, but the vendor could not operate timely due to staffing issues.

QUESTIONED COSTS:
$18,900

Number of Instructional Days	Instructional Days Operating	Number of Non-Instructional Days Required	Non-Instructional Days Operating	Days Under Requirement	CDE Penalty Rate	ELO-P Entitlement	Questioned Costs
180	168	30	30	12	0.0048	$ 328,120	$ 18,900

REPEAT FINDING:
No

RECOMMENDATION:
The District should ensure an Expanded Learning Opportunities Program is operating during the entire school year.

DISTRICT'S CORRECTIVE ACTION PLAN:
The District is committed to providing quality after school programming. As such, the District has partnered with the Community After School Providers and established its own ELOP After School Program. In the 23-24 school year, the District had an MOU with a Community Partner for After School Programming, but that partner was unable to find adequate staffing and therefore did not open on the first day of school. As a result, the District developed and launched its own programming opening on September 5th. To remedy this, the District in 24-25 added another community partner on day 1 and started its programming earlier. Going forward the District will ensure that its after school programming, along with all community partners' programming, begins on the first day of school and runs for all 180 days.

CURRENT STATUS:
The finding was overturned upon the District's appeal.

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF SOLVANG AND SANTA BARBARA COUNTY

*The following information concerning the City of Solvang (the "**City**") and Santa Barbara County (the "**County**") is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

General

The City of Solvang. The City is a general law city which was incorporated in 1985. It is located in the County, in the Santa Ynez Valley, approximately 130 miles north of Los Angeles and 70 miles south of San Luis Obispo, and is easily accessed from both Los Angeles and San Francisco via U.S. Highway 101. The City encompasses approximately 2.2 square miles and its economy is largely dependent on tourism which provides sales and transient occupancy taxes that account for a major portion of the City's revenues. The City operates under a Council-Administrator form of government. The City Council consists of five members elected at large for four-year overlapping terms. The City Administrator is responsible for administration of municipal affairs. The Mayor is selected by the Council from among its members for a one-year term. All municipal departments operate under the supervision of the City Administrator.

Santa Barbara County. The County was established by an act of the State Legislature on February 18, 1850. It occupies an area of 2,774 square miles, of which one-third is located in the Los Padres National Forest. There are eight incorporated cities located wholly or partially within Santa Barbara County: Santa Barbara, Santa Maria, Lompoc, Carpinteria, Guadalupe, Solvang, Goleta and Buellton. The City is the second smallest city in the County, in terms of population.

The County is served by Amtrak trains and Greyhound Lines buses. The Santa Barbara Metropolitan Transit District serves the southern portion of the county. In the North County, the cities of Lompoc, Santa Maria, and Buellton/Solvang have their own bus services. Santa Barbara Municipal Airport is a regional airport located 7 miles west of downtown Santa Barbara and in 2024 was designated as a small hub primary airport by the Federal Aviation Administration.

Population

The following table lists population estimates for the County, and the cities within the County, including the City, for the last five calendar years, as of January 1.

SANTA BARBARA COUNTY
Population Estimates
Calendar Years 2022 through 2026

Area	2022	2023	2024	2025	2026
Buellton	4,973	4,956	4,970	5,077	5,353
Carpinteria	12,757	12,719	12,739	12,742	12,612
Goleta	32,106	32,478	32,590	32,725	32,409
Guadalupe	8,336	8,461	8,574	8,721	8,649
Lompoc	43,406	43,495	43,530	43,302	43,073
Santa Barbara	85,173	85,077	85,557	85,752	85,083
Santa Maria	108,308	109,099	110,179	111,356	113,041
Solvang	**5,616**	**5,642**	**5,658**	**5,680**	**5,621**
Balance Of County	139,311	139,063	139,289	139,937	139,133
County Total	**439,986**	**440,990**	**443,086**	**445,292**	**444,974**

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The District is included in the Santa Maria-Santa Barbara Metropolitan Statistical Area ("**MSA**"), which consists of the County. The unemployment rate in the County was 4.5% in July 2026, up from a revised 4.2% in June 2026, and below the year-ago estimate of 4.9%. This compares with an unadjusted unemployment rate of 5.3% for the State and 4.4% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2021 through 2025.

SANTA MARIA-SANTA BARBARA MSA
(Santa Barbara County)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2025 Benchmark)

	2021	2022	2023	2024	2025
Civilian Labor Force[1]	215,700	218,300	220,400	222,000	223,900
Employment	203,100	210,400	211,500	212,100	213,200
Unemployment	12,500	7,900	8,900	9,900	10,700
Unemployment Rate	5.8%	3.6%	4.0%	4.5%	4.8%
Wage and Salary Employment:[2]					
Agriculture	27,000	29,400	28,900	29,700	30,500
Mining, Logging, Construction	9,900	10,300	10,600	11,000	10,900
Manufacturing	12,000	12,400	12,800	12,600	12,300
Wholesale Trade	5,400	5,300	4,900	4,600	4,400
Retail Trade	18,100	18,200	18,500	18,400	18,300
Transportation, Warehousing and Utilities	3,700	3,800	3,600	3,600	3,600
Information	4,000	4,500	4,200	3,900	3,800
Financial Activities	6,900	7,100	7,000	6,900	6,400
Professional and Business Services	26,200	25,900	24,200	23,900	23,700
Educational and Health Services	28,800	29,400	30,900	32,100	33,100
Leisure and Hospitality	24,300	28,200	28,700	28,400	28,700
Other Services	5,900	6,500	6,700	6,600	6,600
Federal Government	3,700	4,000	4,100	4,100	3,600
State Government	9,500	7,500	7,700	8,200	8,200
Local Government	21,900	22,900	23,500	23,600	24,200
Total all Industries[3]	207,300	215,300	216,200	217,500	218,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table shows the major employers in the County as of September 2026, in alphabetical order without regard to the number of employees.

SANTA BARBARA COUNTY
Major Employers
(Listed Alphabetically)

Employer Name	Location	Industry
Alisal Ranch	Solvang	Hotels & Motels
Chumash Casino Resort	Santa Ynez	Casinos
Cottage Health	Santa Barbara	Health Care Management
Deckers Outdoor Corp	Goleta	Shoes-Retail
Den Mat Holdings LLC	Lompoc	Dental Equipment & Supplies-Wholesale
Dignity Health-Marian Regl Med	Santa Maria	Hospitals
Four Seasons Resrt	Santa Barbara	Hotels & Motels
Hardy Diagnostics	Santa Maria	Surgical/Med Instruments/Apparatus (mfr)
Hilton Santa Barbara	Santa Barbara	Resorts
J & G Berry Farms LLC	Santa Maria	Berry Farming-Except Strawberry
Jordano's	Santa Barbara	Food Products (whls)
Mission Linen Supply Inc	Santa Barbara	Uniform Supply Service
Montecito Bank & Trust	Goleta	Banks
Nu Sil Technology LLC	Carpinteria	Silicones (whls)
Raytheon	Goleta	Physicians & Surgeons Equip & Supls-Mfrs
Ritz-Carlton Bacara Santa Brbr	Santa Barbara	Hotels & Motels
Safran Cabin	Santa Maria	Aircraft Equipment Parts & Supls-Mfrs
Sansum Clinic Pesetas Health	Santa Barbara	Clinics
Santa Barbara City	Santa Barbara	Government Offices-City/Village & Twp
Santa Barbara City College	Santa Barbara	Junior-Community College-Tech Institutes
Santa Barbara County Probation	Lompoc	Government Offices-County
University of Ca-Santa Barbara	Santa Barbara	Schools-Universities & Colleges Academic
University-Ca Santa Barbara	Santa Barbara	University-College Dept/Facility/Office
US Penitentiary	Lompoc	Federal Govt-Correctional Institutions
Yardi Systems Inc	Santa Barbara	Software/Application/Platform Publishing

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2026 2nd edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the estimated total effective buying income and estimated median household effective buying income for the City, the County, the State, and the United States for the years 2023 through 2027.

CITY OF SOLVANG, SANTA BARBARA COUNTY,
STATE OF CALIFORNIA & UNITED STATES
Estimated Effective Buying Income
Calendar Years 2023 through 2027

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2023	City of Solvang	$314,605	$89,414
	Santa Barbara County	15,566,899	74,010
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Solvang	$330,499	$96,627
	Santa Barbara County	16,628,802	81,194
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Solvang	$329,522	$97,064
	Santa Barbara County	16,784,186	80,252
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687
2026	City of Solvang	$345,100	$107,508
	Santa Barbara County	17,593,215	86,467
	California	1,730,654,738	90,403
	United States	13,932,177,817	75,433
2027	City of Solvang	$299,695	$98,419
	Santa Barbara County	18,475,764	88,003
	California	1,777,381,182	91,733
	United States	14,288,950,563	76,807

Source: Claritas, LLC.

Commercial Activity

A summary of historic taxable sales within the City and County during the past five years for which data is available are shown in the following tables.

During the first quarter of calendar year 2026, total taxable transactions in the City were reported to be $33,844,155, representing a 5.8% decrease from the total taxable transactions of $35,944,229 that were reported in the City during the first quarter of calendar year 2025.

CITY OF SOLVANG
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	257	$122,467	437	$155,364
2022	268	130,510	447	167,888
2023	262	127,091	439	161,855
2024	255	127,743	425	162,831
2025	256	128,076	417	161,719

Source: State Department of Tax and Fee Administration.

During the first quarter of calendar year 2026, total taxable transactions in the County were reported to be $2,275,793,867, representing a 1.3% increase over the total taxable transactions of $2,246,108,183 that were reported in the County during the first quarter of calendar year 2025.

SANTA BARBARA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	7,989	$6,334,219	14,970	$9,025,113
2022	7,951	6,819,789	15,144	9,858,259
2023	7,572	6,629,785	14,451	9,769,356
2024	7,237	6,607,857	13,960	9,784,969
2025	7,173	6,786,494	13,791	9,932,825

Source: State Department of Tax and Fee Administration.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL LLP]

_________, 2026

Board of Trustees
Solvang Elementary School District
565 Atterdag Road
Solvang, California 93463

OPINION: $__________ Solvang Elementary School District
2026 General Obligation Refunding Bonds (Bank Qualified)

Members of the Board of Trustees:

We have acted as bond counsel to the Solvang Elementary School District (the "District") in connection with the issuance by the District of the above-captioned bonds, dated the date hereof (the "Bonds"), under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Sections 53550 and 58580 of such Code (the "Act"), and a resolution of the Board of Trustees of the District (the "Board") adopted on August 19, 2026 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications and opinions furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to issue the Bonds pursuant to the Act, and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District enforceable upon the District in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of Santa Barbara County is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to the portion of the Bonds designated as and comprising interest.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds, and in order for the Bonds to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_________
SOLVANG ELEMENTARY SCHOOL DISTRICT
(Santa Barbara County, California)
2026 General Obligation Refunding Bonds
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Solvang Elementary School District (the "**District**") in connection with the execution and delivery of the above-captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on August 19, 2026 (the "**Resolution**"). U.S. Bank Trust Company, National Association, is initially the designated paying agent, registrar and transfer agent (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date not later than nine months (currently March 31) after the end of each fiscal year of the District (currently June 30th).

"*Dissemination Agent*" means, initially, KNN Public Finance, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank Trust Company, National Association, or any successor thereto.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2027, with the report for the 2025-26 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 business days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) notice to the MSRB in a timely manner, in an electronic format, as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information:

(i) assessed valuation of taxable properties in the District for the most recently completed fiscal year;

(ii) if the District is no longer a participant in the County of Santa Barbara's Teeter Plan, property tax collection delinquencies for the District for the most recently completed Fiscal Year, if available at the time of filing the Annual Report, and

(iii) such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be KNN Public Finance, LLC. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _________, 2026

SOLVANG ELEMENTARY SCHOOL DISTRICT

By: ______________________________
Name:____________________________
Title:_____________________________

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

SANTA BARBARA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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SANTA BARBARA COUNTY

TREASURER

INVESTMENT POLICY

STATEMENT

Harry E. Hagen, CPA
Treasurer-Tax Collector

Daniel A. Chandler, CPA
Chief Investment Officer

Revision Date 02-25-2025

Certifications

The Santa Barbara County Investment Pool Policy Statement was certified by the Government Investment Officer's Association (GIOA) on May 6, 2023.

The Santa Barbara County Investment Pool Policy Statement was certified by the California Municipal Treasurers Association (CMTA) on February 26, 2024.


California Municipal
Treasurers Association

Investment Policy Certification

Issued on 02/26/2024

Santa Barbara County

The California Municipal Treasurers Association certifies that the investment policy of the County of Santa Barbara complies with the current State statutes governing the investment practices of local government entities located within the State of California.

CMTA

President

02/26/2024
Date

Table of Contents

1. OVERVIEW

The County of Santa Barbara's Investment Policy has been prepared in accordance with State law. This Policy is presented annually to the Treasury Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of sections §53646(a) and §27133 of the California Government Code. The County establishes investment policies that meet its current investment goals. The County may change this policy as its investment objectives change.

This policy contains the following frequently used abbreviations:

- Santa Barbara County Investment Pool (Investment Pool)
- Santa Barbara County Investment Policy (Investment Policy)
- Santa Barbara County Treasurer (Treasurer)
- Santa Barbara County Board of Supervisors (BOS)
- Treasury Oversight Committee (TOC)
- California Government Code (CGC)

2. POLICY

The purpose of this policy is to provide a basis for the implementation and management of a prudent, conservative investment program. It is the policy of the Treasurer to invest public funds in a manner which provides the maximum security of principal invested with secondary emphasis on achieving the highest return, while meeting the daily cash flow needs of the Investment Pool participants and conforming to all applicable State statutes and County resolutions governing the investment of public funds.

As an elected official, the Treasurer must manage public monies in a way that is consistent with investment oversight and sound investment practices. To have an investment policy which only concerns itself with maximizing return is careless and negligent. The basic concept of investment management is the risk/reward relationship. A higher promised return on any investment may indicate a higher level of risk. Risk management must be an integral part of any prudent investment policy. Risk management must include adequate internal controls, so Investment Pool participants and the public have confidence that public monies are secure. Though all investments contain a degree of risk, the proper exercise of prudence, the maintenance of a high level of ethical standards, and the proper delegation of authority reduces the potential for loss.

3. PURPOSES

This policy is set forth by the Treasurer for the following purposes:

3.1 To implement the investment program in accordance with its legislative parameters and the authority to invest which is hereby delegated to the Treasurer by the BOS.

3.2 To establish a clear understanding for the BOS, County management, responsible employees, citizens, and third parties of the objectives, policies, and guidelines for the investment of idle and surplus funds.

3.3 To offer guidance to investment staff and any external investment advisors on the investment of the Pool.

4. OBJECTIVES

Investments must always follow all federal laws, state laws and local regulations governing the investment of money under control of the Treasurer, this policy, and the Prudent Investment standard of care. The objectives of this policy are, in order of priority:

4.1 Safety of principal. The primary objective of the Treasurer's investment program is to safeguard investment principal by mitigating exposure to risk factors, including, but not limited to, market (interest rate) risk, credit risk, and reinvestment risk. Specific risk parameters are set forth in sections 13 and 14 of this policy.

4.2 Maintenance of sufficient liquidity to meet cash flow needs.

4.3 Attainment of a "market average rate of return" consistent with the primary objectives of safety and liquidity.

5. SCOPE

This policy applies to county, school and special district fund assets deposited in the County Treasury and under control of the Treasurer. It does not apply to assets that are not deposited in the County Treasury, including, but not limited to:

5.1 Bond Funds (the investment of which is governed by the bond documents).

5.2 Assets of Investment Pool participants other than assets on deposit in the County Treasury (which are the responsibility of the participant's governing body); and

5.3 Deferred Compensation Plan assets (which are invested for the benefit of participants in the Plan).

5.4 The Treasurer may direct specific-purpose assets belonging to the county or other participants in instruments the earnings of which are not shared but credited to the specific-purpose fund. The investments for these direct Pools shall be made in accordance with this policy, except that investments may be for periods greater than five years when a longer term is advantageous for the investment of money held for specific purposes. Investments for periods longer than five years require prior approval of the governing body in accordance with CGC section §53601.

6. STANDARD OF CARE

6.1 The Prudent Investor Standard is the appropriate standard of care for the Pool. This standard shall be used by investment officials and shall be applied in the context of managing an overall portfolio. Investment staff acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

6.2 The Prudent Investor Standard Defined: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments of an overall strategy, a trustee is authorized to acquire investments as authorized by law.

7. DELEGATION OF AUTHORITY

7.1 Authority to manage the County's investment program is derived from the CGC sections §53600 et seq., and sections §53630 et seq.

7.2 The Treasurer is authorized by Santa Barbara County Code section 2-24.8 to invest or reinvest the funds of the county and the funds of the other depositors in the County Treasury, pursuant to CGC Chapter 4 (commencing with section §53600) of Par 1 of Division 2 of Title 5.

7.3 Within the Treasurer's office, the Treasurer has the authority to appoint individuals responsible for management of the portfolio, to make investments and to direct the receipt and delivery of investment securities at the custody bank. The Treasurer has delegated authority for the Investment Pool to the Chief Investment Officer, the Chief Finance Officer, and the Assistant Treasurer.

8. ETHICS AND CONFLICTS OF INTEREST

8.1 Individuals performing the investment function and members of the TOC shall maintain the highest standards of conduct. They must maintain their independence and not have actual conflicts of interest. In addition, they shall avoid the appearance of having conflicts of interest or having a lack of independence.

8.2 All investment personnel shall disclose to the Treasurer any financial interests in financial institutions that conduct business with the County of Santa Barbara and shall disclose any material financial positions that could be related in a conflicting manner to the investment strategies and performance of the Investment Pool. In accordance with State law, the Treasurer, and individuals responsible for management of the portfolio shall complete and submit State of California Form 700, Statement of Economic Interests Disclosure. Should any conflicts be disclosed, the Treasurer will resolve such matters as soon as practical.

8.3 The Treasurer, individuals responsible for management of the portfolio, and members of the TOC will not accept a gift or gifts aggregating more than the Fair Political Practices Commission guidelines in a calendar year from an advisor, broker, dealer, banker, or other persons with whom the Treasurer conducts business.

8.4 The Treasurer, individuals responsible for management of the portfolio, and members of the TOC may not accept any honorarium from advisors, brokers, dealers, bankers, or other persons with whom the Treasurer conducts business or may, in the future, conduct business.

8.5 A member of the TOC may not be employed by an entity that has contributed to the campaign of a candidate for the office of the Treasurer or a candidate for a legislative body of a local agency that has deposited funds in the County Treasury in the previous three years or while a member of the Committee. A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the Committee or for one year after leaving the Committee.

8.6 A member of the TOC may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee.

9. SAFEKEEPING AND CUSTODY

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County shall be deposited for safekeeping with the custodial bank that has contracted to provide the Treasurer with custody and security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third-party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

10. DELIVERY VS. PAYMENT

All security transactions are to be conducted using industry-standard "delivery-versus-payment" procedures.

11. INTERNAL CONTROLS

11.1 The Treasurer shall establish and document a system of internal controls that is prudent and comprehensive. Internal controls shall be designed to provide reasonable assurances that the combined Investment Pool assets are protected. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

11.2 Internal controls are designed to ensure separation of transaction authority from accounting and record keeping and to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's office.

11.3 No investment personnel may engage in an investment transaction except as provided under this policy and the procedures established by the Treasurer.

12. AUTHORIZED DEALERS AND INSTITUTIONS

12.1 The Treasurer shall determine which financial institutions are authorized to provide investment services to the County pursuant to CGC §53601.5. Institutions eligible to transact investment business with the County include but are not limited to:

a) Primary government dealers (including their parent and subsidiaries) as designated by the Federal Reserve Bank
b) Nationally or state-chartered banks
c) The Federal Reserve Bank
d) Regional dealers
e) Direct issuers of securities eligible for purchase by the County

12.2 Selection of financial institutions and broker/dealers authorized to engage in transactions with the County shall be at the sole discretion of the County.

12.3 All financial institutions which desire to become authorized dealers for investment transactions shall complete the Santa Barbara County's "Request for Qualification" form. Each qualified dealer must certify in writing that they have reviewed the relevant CGC sections and the Investment Policy and that all securities offered to the County shall comply fully and in every instance with all provisions of the Code and with this policy.

12.4 The authorized dealers and financial institutions must not have made any political contribution to the Treasurer, BOS, or candidates for these offices for 48 months before and any time during their engagement with the County.

12.5 Public deposits shall be made in accordance with State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with State law.

12.6 The Treasurer, or designee, will create and review periodically an approved list of firms and financial institutions authorized to do business with the Treasurer.

13. ALLOWABLE INVESTMENTS

13.1 All investments shall be made in accordance with CGC §53601, §53630 et seq., and as described within this policy. Percentage allowances per this policy shall be determined by the overall portfolio size at book value on the date of purchase. Allowable investments under this policy are described in Figure 1 below.

Figure 1

Allowable Investments and Investment Restrictions

AUTHORIZED INVESTMENTS	PERCENT OF TOTAL PORTFOLIO	PERCENT BY ISSUER	MAX MATURITY	CREDIT QUALITY (S&P/MOODY'S / FITCH)	AUTHORIZED BY CA GOV CODE
Local Agency Bonds	10%	None	5 years	None	§53601(a)
U.S. Treasury Obligations	100%	None	5 years [A]	Guaranteed by U.S. Government	§53601(b)
State Obligations issued by California and 49 other states	10%	None	5 years	None	§53601(c)(d)
Local Agency Obligations issued by local agencies in California	10%	None	5 years	None	§53601(e)
Federal Agency or U.S. government sponsored enterprise (GSE) obligations	Callable GSE's limited to 50% of portfolio	None	5 years	None	§53601(f)
Bankers' Acceptances	40% [H]	5%	180 days	A1 / P1 / F1 by at least 2 of the 3 rating agencies	§53601(g)
Negotiable Certificates of Deposits	30%	5%	1 year	A1 / P1 / F1 by at least 2 of the 3 rating agencies	§53601(i)
Repurchase Agreements	20%	Contract must be on file	30 days	Restricted to primary dealers and state-chartered banks on eligible list [E]	§53601(j)
Reverse Repurchase Agreements (REPO)	20% of the base value of the portfolio	Contract must be on file	92 days [F]	Restricted to primary dealers on County's eligible list [G]	§53601(j)
Medium Term Notes or Corporate Notes from U.S. corporations	30% of portfolio & 10% of portfolio in maturity greater than 3 years	5%	5 years	AA by at least 2 of the 3 rating agencies if more than 3 years: AA- up to 3 yrs. AAA if TLGP	§53601(k)
Mutual Funds and Money Market Mutual Funds	15%	10%; no NAV adjustments ; no front-end loads	Daily liquidity	AAA by at least 2 of the 3 rating agencies [N]	§53601(l)

Figure 1 **Allowable Investments and Investment Restrictions**					
AUTHORIZED INVESTMENTS	PERCENT OF TOTAL PORTFOLIO	PERCENT BY ISSUER	MAX MATURITY	CREDIT QUALITY (S&P/MOODY'S / FITCH)	AUTHORIZED BY CA GOV CODE
Collateralized Bank Deposits [C]	10%	None	1 year	None	§53601(n) and§53630 et seq.
Mortgage Pass-through and Asset Backed Securities	20%	None	1 year	AA rating category or its equivalent or better	§53601(o)
Joint Powers Authority (JPA) Pools such as CAMP [B]	As limited by each JPA Pool	As limited by each JPA Pool	Daily Liquidity	None	§53601(p)
Supranational Obligations [J]	30%	5%	5 years	AA by at least 1 rating agency	§53601(q)
Public Bank Obligations	None	None	5 years	None	53601(r), 53635(c), and 57603
Placement Service Deposits into FDIC insured deposit accounts such as FICA	10% [O]	$100 Million per placement service	Daily liquidity	FDIC Insured [I]	§53601.8 and §53635.8
Commercial Paper from Pooled funds [L]	40%	10% of agency's money [M]	270 days	A1 / P1 / F1 by at least 2 of the 3 rating agencies [D]	53635(a)(1)
Local Agency Investment Fund (LAIF)	As limited by LAIF	As limited by LAIF	Daily Liquidity	None	§16429.1 (a)(b)(d)

Figure 1 Notes
A. The final maturity shall not exceed five years, unless specifically authorized by the BOS.
B. Joint Powers Authority such as the California Asset Management Program (CAMP). Managed Pools' pursuant to CGC §53601(p) for which shares of beneficial interest issued by a joint powers authority organized pursuant to CGC §6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o) of CGC section §53601, inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint power's authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that is registered with the SEC and has not less than five years of experience investing in the securities and obligations authorized in CGC §53601 (a) to (o).
C. Collateralized Bank deposits (Non-negotiable certificates of deposit) which are fully collateralized with securities in accordance with California law.
D. Commercial paper of U.S. corporations with total assets exceeding $500,000,000. Medium Term or Corporate Notes (MTNs) of United States corporations & Depository Institutions or Medium-Term Notes of U.S. Corporations and Depository Institutions issued under the Temporary Liquidity Guarantee Program,

Figure 1 Notes
guaranteed by the Federal Deposit Insurance Corporation. The issuer of non-TLGP notes shall be rated AA by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is greater than 3 years and shall be rated AA- by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is 3 years or less. TLGP notes shall be rated AAA by one of the three major rating services.
E. Repurchase agreements collateralized with securities authorized under 13.1.a, and 13.2.a of this policy maintained at a level of at least 102% of the market value of the repurchase agreements. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement shall be substantially in the form developed by the Public Securities Association, and the counterparty to the repurchase agreements is a primary government securities dealer as designated by the Federal Reserve Bank of New York and state-chartered banks.
F. Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state charted bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
G. Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
H. No more than 30 percent of the agency's money may be in the banker' acceptances of any one commercial bank.
I. Placement Service Deposits are FDIC Insured Deposit Accounts authorized pursuant to CGC sections §53601.8 and §53635.8. The deposit of funds may be placed directly with a selected depository institution not to exceed the issuance limit from the Federal Deposit Insurance Corporation (FDIC). A selected depository may use a private sector entity to help place deposits with one or more commercial bank or savings bank located in the United States. The full amount of each deposit and the interest that may accrue on each such deposit shall always be insured by the Federal Deposit Insurance Corporation (FDIC),
J. Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.
K. Not used
L. Includes agencies defined as county, city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in section §53601(h)(2)(c).
M. Local agencies, other than counties or a city and county, may purchase no more than 10% of the outstanding commercial paper and medium-term notes of any single issuer.
N. A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies, or the fund must retain an investment advisor who is registered with SEC (or exempt registration), has assets of $500 million, and has at least five years' experience investing in instruments authorized by CGC §53601 and §53635.
O. Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under CGC §53601.8 (excludes negotiable certificates of deposit authorized under CGC §53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts to 30 percent. Investments made pursuant to CGC §53635.8 remain

Figure 1 Notes
subject to a maximum of 30 percent of the portfolio. The Treasurer has further restricted the maximum percentage for this investment to 10% of the portfolio.

13.2 Bank Accounts

Bank accounts, where withdrawals can be made at any time and are subject to CGC §53630 et seq are not considered investments. For clarity and to allow a comprehensive view, the following policies apply to bank deposit accounts. The County Treasurer will determine the optimal use and mix of bank accounts and investments in executing the Pool's objectives of safety, liquidity, and yield, in the best interests of the County.

a) Public Investment Money Market Accounts: A PIMMA is a bank deposit account which is collateralized per CGC §53651 and §53652. These accounts are bank accounts by code, not investments. Nevertheless, the County Treasurer's policy shall be to treat them as investments for purposes of management, internal controls, oversight, and portfolio statistics. Unlike typical investments, funds may be withdrawn at any time without a dollar limit or penalty, but the number of withdrawals per month is usually limited. Further, any bank accepting a deposit of public funds must pledge securities as collateral pursuant to CGC §53651 and §53652 to secure the principal balance.

- The securities must be held in trust for safekeeping by an independent third-party custodian.
- The market value of the securities to be held in trust depends on the type of securities but is typically 110% of the principal balance.
- Other conditions and restrictions apply as specified by the above code sections.

PIMMAs offer multiple levels of safety to protect County funds. The first level of protection is the bank's own assets and equity. However, if those were inadequate and the bank failed, then the FDIC typically orchestrates efforts to find a purchaser or other solution to make depositors whole, and if that also was inadequate, then per CGC §53665, the Treasurer could demand the custodian to convert the pledged securities to cash for the benefit of the County.

b) Fee Credit Accounts: Based on average balances maintained, many banks offer credits against banking fees. For checking and other transactional bank accounts, which do not earn interest, the effective return offered through fee credits on average balances may at times be superior to traditional investment alternatives. The County Treasurer's policy regarding bank account balances therefore shall be to optimize those balances based on a risk-adjusted net rate of return, with fee avoidance being considered a cash return, relative to other investments.

c) Cannabis: Cash from cannabis taxation and licensing activities are not commingled into the Investment Pool. Cannabis cash and interest earned on deposits are segregated into separate bank accounts from the Investment Pool bank accounts.

14. PROHIBITED INVESTMENTS

14.1 State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than money market funds as described above), unregulated and/or un-rated Pools or trusts, collateralized mortgage obligations and futures and options.

14.2 In accordance with CGC section §53601.6, investments in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited. Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Purchasing or selling securities on margin is prohibited.

15. PORTFOLIO RISK MANAGEMENT

15.1 Mitigating Credit Risk in the Portfolio: Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Treasurer shall mitigate credit risk by adopting the following strategies:

a) The diversification requirements included in section 13 of this policy are designed to mitigate credit risk in the portfolio.
b) The County may elect to sell a security prior to its maturity and record a gain or loss to improve the quality, liquidity, or yield of the portfolio in response to market conditions or the County's risk preferences.
c) If the securities owned by the County are downgraded by Moody's, S&P, or Fitch to a level below the quality required by this policy, it shall be the County's policy to review the credit situation and decide as to whether to sell or retain such securities in the portfolio. The Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
d) The Treasurer will continue to monitor and reevaluate the security on an ongoing basis to reaffirm or change the decision to hold a downgraded security.
e) If a decision is made to retain a downgraded security in the portfolio, the status of the investment will be reported quarterly to the BOS.

15.2 Mitigating Market Risk in the Portfolio: Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios generally achieve higher returns. On the other hand, longer-term portfolios have a higher volatility of return. The County shall mitigate market risk by providing adequate liquidity for cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

b) All investments are categorized according to the period from settlement date to maturity date. Market circumstances and risk-return calculations for increased yield may require an extended schedule. In no event shall more than 75 percent of the funds available be invested for longer than one year.
c) The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy. The five-year maturity of callable securities is measured to the final maturity date, not to a call date.
d) Maturity of investments should be governed by the Treasurer's demand for funds through analysis of revenue and expenditure activity over prior periods. The portfolio shall be structured in such a manner that securities mature concurrent with cash needs.

15.3 Mitigating Reinvestment Risk in the Portfolio: Reinvestment risk is the risk that cash flows from securities will be reinvested at interest rates that are lower than the rate of the original investment. Securities that are highly subject to reinvestment risk include mortgage-backed and callable securities. The County, therefore, adopts the following strategies to control and mitigate its exposure to reinvestment risk:

b) The portfolio shall include securities with a range of durations and maturities.
c) Investment in callable securities is limited to 50%.

16. DIVERSIFICATION

The Treasurer will diversify the Pool's Investments by security type and institution to achieve a diversified mix of independent maturities. See specific requirements in sections 13 and 15.1 of this policy.

17. MAXIMUM MATURITIES

Investment purchases shall not include securities maturing more than five years from the date of settlement unless previously approved by the BOS. If approved by the BOS, reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. Board approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit. Purchases of investments shall not include securities with settlement dates more than 45 days from the purchase date.

18. REVIEW OF INVESTMENT PORTFOLIO

The Securities held by the Investment Pool must follow section 13 of this policy, at the time of purchase. The Treasurer, shall at least annually, review the portfolio to identify any securities that may not comply with section 13 of this policy after the date of purchase and establish a procedure to report to the TOC and the BOS any major or critical incidences of non-compliance identified through review of the portfolio.

19. INVESTMENT POOLS & 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. Money market mutual funds are not required to conform to the restrictions detailed in this IPS. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review at least annually thereafter while the funds are invested in the money market mutual fund. Specific requirements set forth in section 13, Figure 1, Mutual Funds and Money Market Mutual Funds of this policy.

20. COLLATERALIZATION

In accordance with CGC §53601, collateralization will be required on certificates of deposit and repurchase agreements. Collateralization of any investment will be in accordance with securities approved under this policy. Collateral will always be held by an independent third party with whom the financial institution has a current custodial agreement.

21. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of earning a rate of return throughout budgetary cycles, corresponding with the investment risk constraints and the cash flow needs of the Pool.

22. INVESTMENT POLICY COMPLIANCE ADOPTION

In accordance with CGC §53646, the Investment Policy shall be reviewed and approved by the BOS. The Policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, return, and its relevance to current law, financial conditions, and economic trends.

23. REPORTING AND DISCLOSURE

23.1 Monthly Reporting: Pursuant to CGC §53607, the Treasurer's authority to invest or to reinvest funds or sell or exchange securities so purchased may be delegated by the BOS for a one-year period. The Treasurer shall assume full responsibility for those transactions until the delegation of authority is revoked or expires and shall submit a monthly report of those transactions to the Clerk of the Board.

23.2 Quarterly Reporting: In accordance with CGC §53646, the Treasurer shall submit a quarterly investment report to the BOS, County Executive Office, Auditor-Controller, and TOC within 45 days following the end of the quarter covered by the report. For public benefit, the quarterly report shall be posted on the County's website. This report shall disclose, at a minimum, the following investment information:

a) The type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments, and moneys.
b) A description of any funds, investments, or programs that are under the management of contracted parties, including lending programs.
c) A current market value as of the date of the report and the source of this valuation.
d) A statement of compliance with the Investment Policy or the way the portfolio is not in compliance.

e) A statement denoting the ability of the County to meet its expenditure requirements for the next six months or an explanation as to why sufficient money may not be available.

23.3 Annual Reporting: The Treasurer shall prepare annual financial statements in accordance with Generally Accepted Accounting Principles. Any internal or external audit reports shall be presented to the TOC together with a plan of implementation of audit recommendations.

24. TREASURY OVERSIGHT COMMITTEE

24.1 The BOS shall establish a TOC pursuant to CGC §27131. The Committee shall consist of between three and eleven members nominated by the Treasurer and confirmed by the BOS. Any changes to the Investment Policy shall be reviewed by the TOC.

24.2 Pursuant to CGC §53646 and §53607, the Treasurer shall annually render to the BOS for review and approval this policy and renew the delegation of investment authority.

24.3 Pursuant to CGC §27137, the TOC is not allowed to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

25. APPORTIONMENT OF EARNINGS AND COSTS

25.1 Investment earnings shall be apportioned to all Investment Pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Investment Pool. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was earned.

25.2 As provided by CGC §27013, §27133 and §27135, the Treasurer shall deduct those administrative costs associated with investing, depositing, banking, auditing, reporting or otherwise handling or managing funds from the gross interest earnings before the interest earnings are apportioned.

26. VOLUNTARY PARTICIPANTS

The Treasurer does not solicit any agency's voluntary entry into the Pool. However, should any agency solicit entry, the agency shall comply with the requirements of CGC section §53684 and provide to the Treasurer a resolution adopted by their governing board stating that they have excess funds available for the purpose of investment. The resolution shall specify the amount to be invested, the person authorized to coordinate the transaction, the anticipated time frame for deposit, and the agency's willingness to be bound to section 27 of this policy, as well as the Treasurer's ability to deduct pro-rata administrative charges permitted by section 25.2 of this policy. Any solicitation for entry into the Investment Pool must have the Treasurer's prior written approval.

27. PARTICIPANT WITHDRAWAL

27.1 Investment Pool participants who seek to withdraw funds for normal cash flow purposes of less than $1 million shall obtain approval from the Santa Barbara County Auditor-Controller. In addition, prior written approval from the Treasurer is required for normal cash flow withdrawals of $1 million or greater. The Treasurer will honor requests to withdraw funds at a one-dollar net asset value.

27.2 Any requests to withdraw funds for the purpose of external investing or depositing funds outside the of the Investment Pool, regardless of the amount, shall be subject to the consent of the Treasurer. In accordance with CGC §27136 et seq. and §27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration of the stability and predictability of the Investment Pool.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Investment Pool will be based on the following criteria:

a) The amount of the withdrawal
b) The Remaining balance of the total Investment Pool and the agency portion of the Pool
c) Current market conditions
d) Effect on predicted cash flows
e) Determination of sufficient balances remaining to cover the pro-rata administrative charges permitted by section 25.2 of this policy
f) The Treasurer has adequate information to make a proper finding that other Investment Pool participants will not be adversely affected

27.3 Investment Pool participants withdrawing funds will not recognize GASB 31 fair market value gains or losses, except in extraordinary circumstances as defined by the Treasurer at the time. To protect other Investment Pool participants, participants withdrawing funds for the purpose of external investing or depositing funds outside of the Investment pool shall obtain approval from the Treasurer prior to reinvesting those funds back into the Pool.

27.4 All funds withdrawn from the Investment Pool for the purpose of investing or depositing those funds outside the Investment Pool shall become the responsibility of the legislative body requesting the action. The Treasurer shall in no manner be held responsible or liable for withdrawal of funds or investments purchased with said funds. The request of any legislative body, by resolution, authorizing the withdrawal of funds for deposit or investment outside the Investment Pool must provide a disclaimer of liability. The Treasurer shall not honor such withdrawal request if a disclaimer clause is not provided.

28. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into our pool management and into this policy.

Appendix I

GLOSSARY OF TERMS

ACCRUED INTEREST – The amount of interest that is earned, but unpaid since the last payment date.

BANKERS ACCEPTANCES – A draft or bill or exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill. With the credit strength of a bank behind it, the bankers acceptance usually qualifies as a money market instrument. In its simplest and most traditional form, a bankers acceptance is merely a check drawn on a bank by an importer or exporter of goods.

BASIS POINT - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

BID - The indicated price at which a buyer is willing to purchase a security or commodity.

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).

BOOK VALUE - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

BROKER/DEALER – Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC)
The CDIAC provides information, education, and technical assistance on public debt and investments to local public agencies and other public finance professionals.

CALLABLE BOND - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

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.

CASH SALE/PURCHASE - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

COLLERATERALIZATION - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMBINED INVESTMENT POOL – The county maintains a combined Investment Pool with cash and investments which provide cash flow for the funding needs of the participants. The combined Investment Pool is managed by the Santa Barbara County Treasurer. The combined Investment Pool is carried at amortized cost and includes accrued interest.

COMMERCIAL PAPER - An unsecured short-term promissory note issued by banks, corporations, and other borrowers with temporarily idle cash, with maturities ranging from 2 to 270 days. Such instruments are usually discounted, although some are interest bearing. It is issued only by top-rated concerns and is nearly always backed by bank lines of credit.

CONFIRMATION – Formal memorandum from a broker/dealer to the Treasurer giving the details of a securities transaction, i.e., purchase or sale.

COUPON RATE - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

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 rating agencies.

CREDIT RISK - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSTODIAN/CUSTODY – The financial institution where the investments purchased by the County Treasury are held.

DELIVERY VERSUS PAYMENT (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

DERIVATIVE - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT - The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION – The spreading of risk by investing in assets among a range of security types by sector, maturity, and quality rating.

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.

EARNINGS APPORTIONMENT – The quarterly interest distribution to the Investment Pool participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

FAIR VALUE - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE - Interest rate charged by one institution lending Federal funds to the other.

FITCH IBCA, INC. (FITCH) – One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. (Moody's), and Standard and Poor's Corporation (S&P). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

GUARANTEED INVESTMENT CONTRACTS (GICS) – An agreement acknowledging receipt of funds for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

GOVERNMENT SECURITIES - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

HIGHLY LIQUID – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

IDLE FUNDS – funds in the combined Investment Pool not required for immediate cash needs.

ILLIQUID – A security that is difficult to buy or sell or has a widespread between bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INFORMAL COMPETITIVE BID – A verbal or written bid submitted to the County Treasury by a broker/dealer for a specific issue at a specific price or yield.

INTEREST RATE - See "Coupon Rate."

INTEREST RATE RISK - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

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. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

INVERTED YIELD CURVE - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT POLICY - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

INVESTMENT-GRADE OBLIGATIONS - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

LIQUID - An asset that can be converted easily and quickly into cash because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY INVESTMENT FUND (LAIF) – The State of California Pool in which money of local agencies is Pooled as a method for managing and investing local funds.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – A security with the maturity greater than one year.

MARK-TO-MARKET - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

MARKET RISK - The risk that the value of a security will rise or decline as a result of changes in market conditions.
MARKET VALUE – The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

MATURITY - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

MEDIUM TERM NOTES – Corporate Notes and Deposit Notes that are obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period.

MONEY MARKET MUTUAL FUND - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos, and federal funds).

MOODY'S INVESTORS SERVICE, INC. (Moody's) - One of the three best known rating agencies in the United States, the others being Standard and Poor's Corporation (S&P) and Fitch IBCA, Inc. (Fitch). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

MUTUAL FUND - An investment company that Pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management, and general Investment Policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator, or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios daily.
6. Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an Investment Policy governed by a prospectus which is updated and filed by the SEC annually.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period that is traded in the secondary markets.

NET ASSET VALUE - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

NO LOAD FUND - A mutual fund which does not levy a sales charge on the purchase of its shares.

NOMINAL YIELD - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

NONCALLABLE – A bond that is exempt from any kind of redemption for a stated period.

NOTE – A written promise to pay a specific amount to a certain entity on demand or on a specified date.

OFFER - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

PAR - Face value or principal value of a bond, typically $1,000 per bond.

PORTFOLIO – Combined holding of more than one stock, bond, cash equivalent, or asset. The purpose of a portfolio is to reduce risk by diversification.

POSITIVE YIELD CURVE - A chart formation that illustrates short-term securities having lower yields than long-term securities.

PREMIUM - The amount by which the price paid for a security exceeds the security's par value.

PRIMARY DEALER – A group of securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include the Securities and Exchange Commission (SEC) registered securities broker-dealers and banks.

PRIME RATE - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

PRINCIPAL - The face value or par value of a debt instrument. Also, may refer to the amount of capital invested in each security.

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 on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an “official statement”).

PRUDENT INVESTOR RULE - An investment standard where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is met is if a prudent person acting in such a situation would engage in similar conduct to ensure investments safeguard principal and maintain liquidity.

PUT OPTION – The sale of an option to another party gives them the right to sell to the Investment Pool a security at a specified price within a specified time period.

RATING – Evaluation of financial institutions' investment and credit risks by professional rating services. The County Treasury utilizes the ratings designations of Moody's, S&P and Fitch.

REGISTERED STATE WARRANT – A short-term obligation of a state governmental body issued in anticipation of revenue.

REGULAR WAY DELIVERY - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

REINVESTMENT RISK - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT (REPO) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES AND EXCHANGE COMMISSION (SEC) – Agency created by Congress to protect investors in securities transactions by administering securities laws. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against malpractice in the securities market.

SECURITIES LENDING – A transaction wherein the Investment Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SERIAL BOND - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

SHORT-TERM – A security with a maturity of one year or less.

STANDARD AND POOR'S CORPORATION (S&P) – One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. (Moody's), and Fitch IBCA, Inc. (Fitch). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

SWAP - Trading one asset for another.

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 period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

TREASURY BILLS - Short-term U.S. government non-interest-bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

TREASURY NOTES - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

TREASURY BONDS - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

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 90 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 current rate of return on an investment security generally expressed as a percentage of the security's current price.

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 Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITIES - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

SANTA BARBARA COUNTY

TREASURER'S REPORT TO THE BOARD OF SUPERVISORS AND THE TREASURY OVERSIGHT COMMITTEE

FOR THE QUARTER ENDED JUNE 30, 2026

ECONOMIC TREND

On June 17, 2026, the Federal Open Market Committee (FOMC) voted unanimously to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent, marking the third consecutive meeting at which the Committee held rates steady. The Committee noted that economic activity is expanding at a solid pace despite uncertainty from the Middle East conflict, with strong productivity growth, steady job gains, and little change in unemployment. Inflation remains elevated relative to the 2 percent goal, partly reflecting energy supply shocks, and the Committee reaffirmed its commitment to deliver price stability.

As summarized in the Beige Book issued on July 16, 2026:

- Economic activity increased at a slight to moderate pace in eleven of twelve Federal Reserve Districts. Consumer spending edged up despite higher fuel prices dampening other categories, with tourism bolstered by World Cup visitors. Manufacturing grew modestly to moderately, led by data center, machinery, and defense demand. Business outlooks were generally positive, with uncertainty focused on future fuel costs.

- Employment rose on balance, with five Districts reporting gains. Hiring was strongest in manufacturing, construction, and retail, though skilled trade and technical workers remained difficult to find. Wage growth was modest to moderate, with continued upward pressure in health care and the skilled trades.

- Prices increased moderately in most Districts, with growth the same or slower than the prior period across all twelve Districts. Non-labor input costs rose across industries due to higher energy, transportation, and raw materials costs tied to the Middle East conflict and tariffs on metals. A few Districts reported selling prices lagging input costs, compressing margins, while some contacts expected relief if energy prices ease.

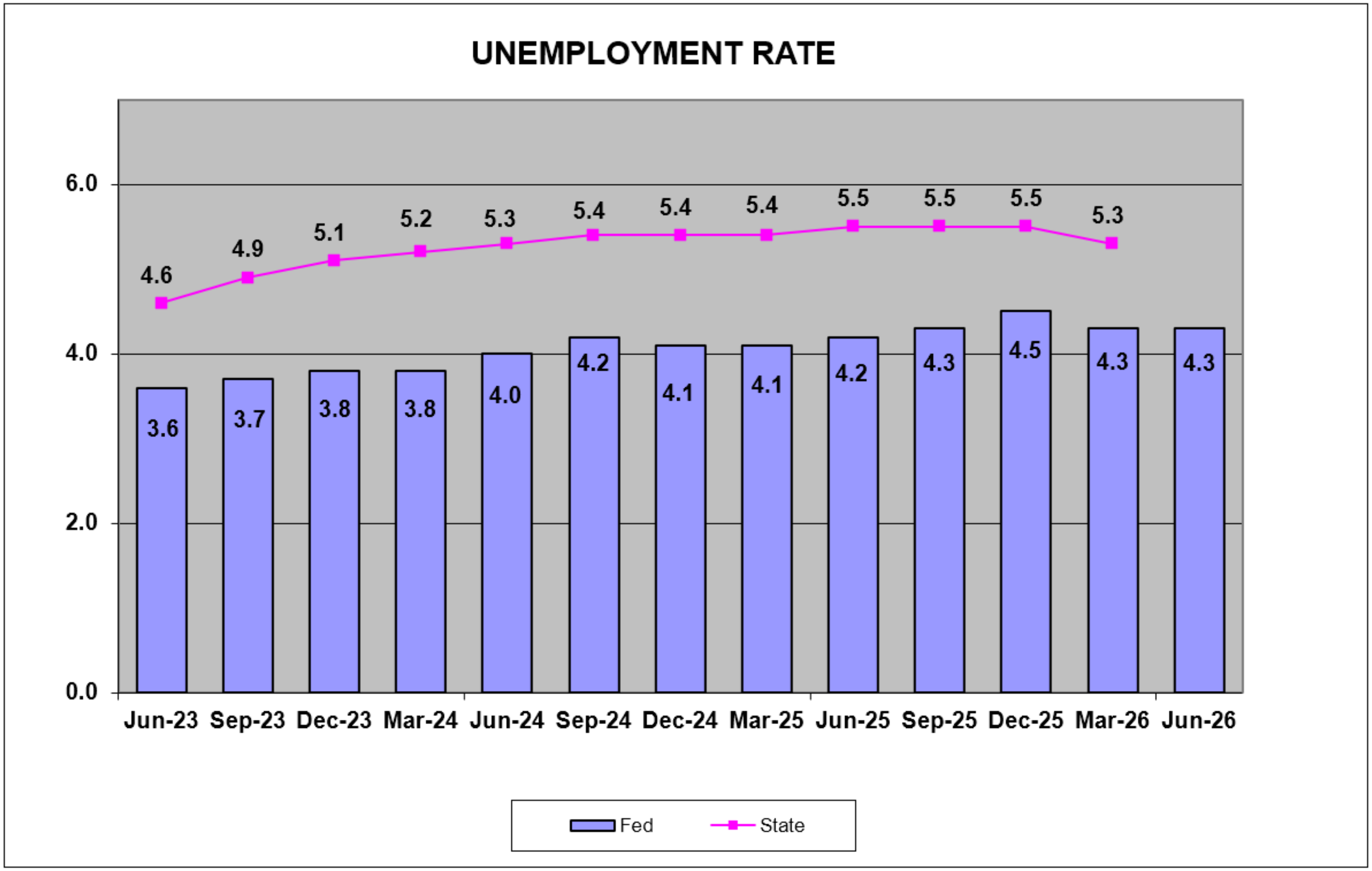
INVESTMENT ACTIVITIES

- The investment portfolio is in compliance with the Government Code and the Treasurer's Investment Policy.

- The Treasurer's Investment Pool has sufficient cash flow available to meet all budgeted expenditures for the next six months.

ECONOMIC TREND: UNEMPLOYMENT RATE

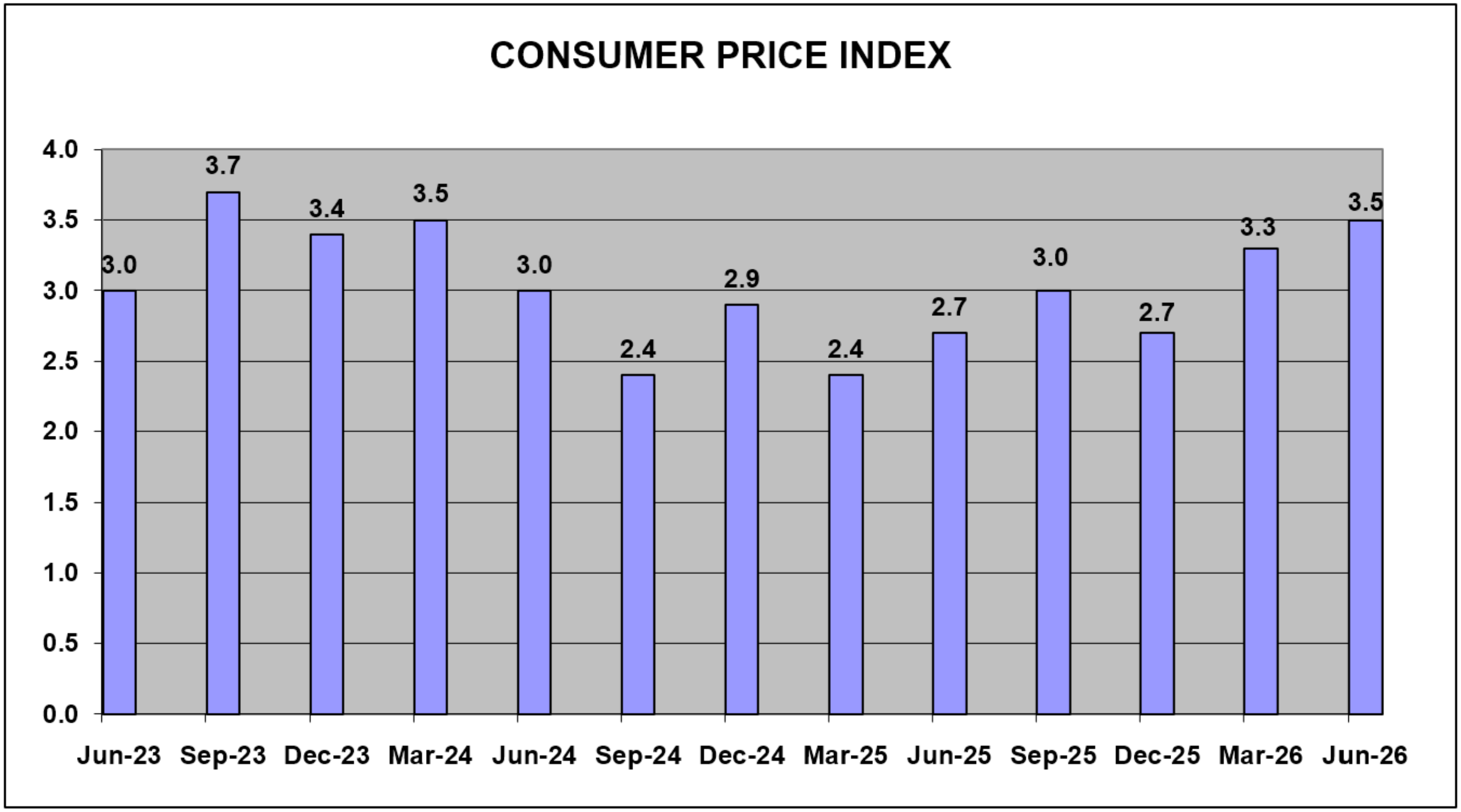
The unemployment rate represents the number of unemployed persons as a percent of the labor force. The sampling used each month to calculate the rate is approximately 60,000 households.



Source: Bureau of Labor Statistics

ECONOMIC TREND: INFLATION

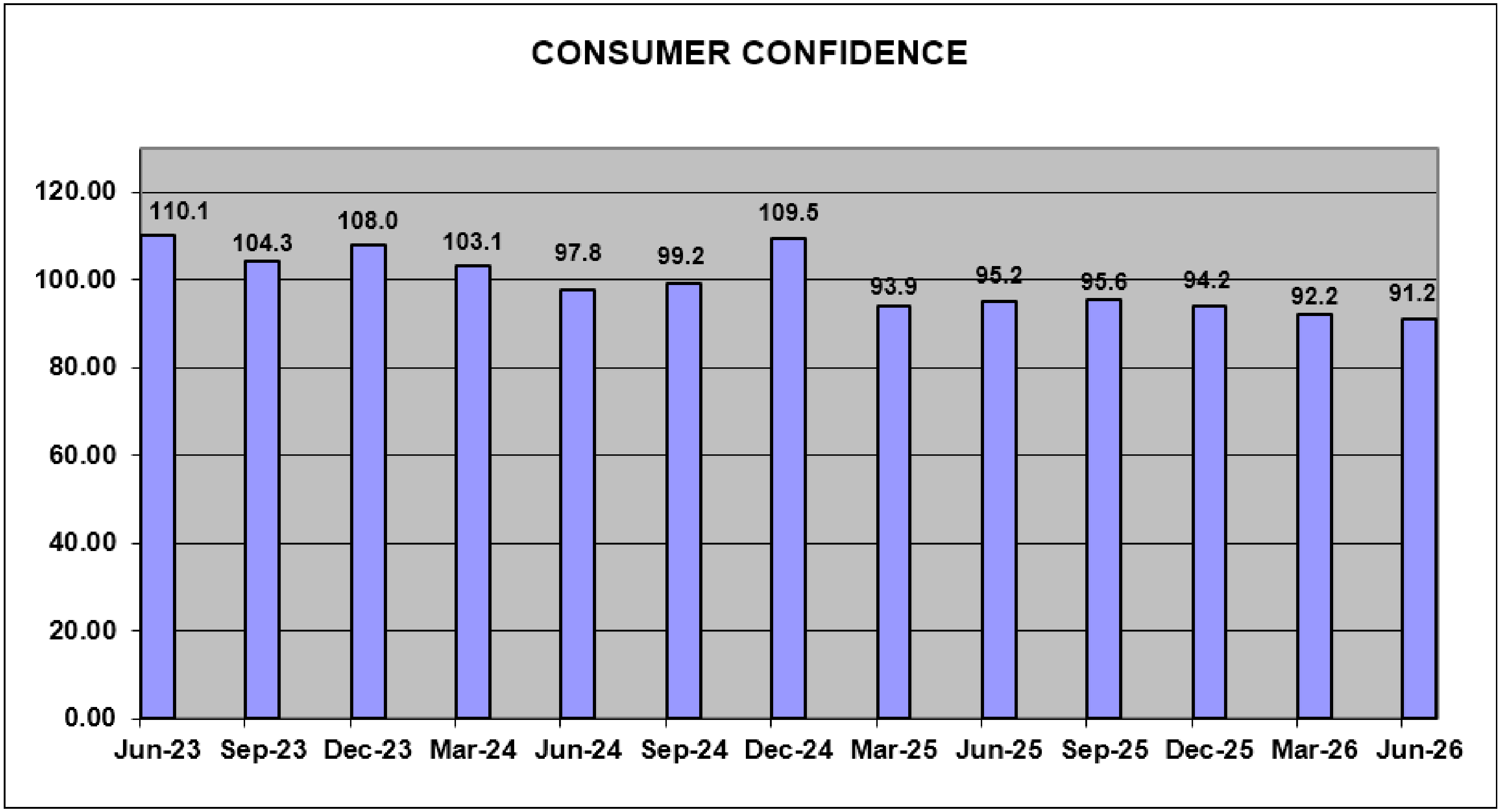
The Consumer Price Index (CPI) represents changes in prices of all goods and services purchased for consumption by urban households. The Core CPI, which excludes food and energy, was 2.6% on June 30, 2026.



Source: Bureau of Labor Statistics

ECONOMIC TREND: CONSUMER CONFIDENCE

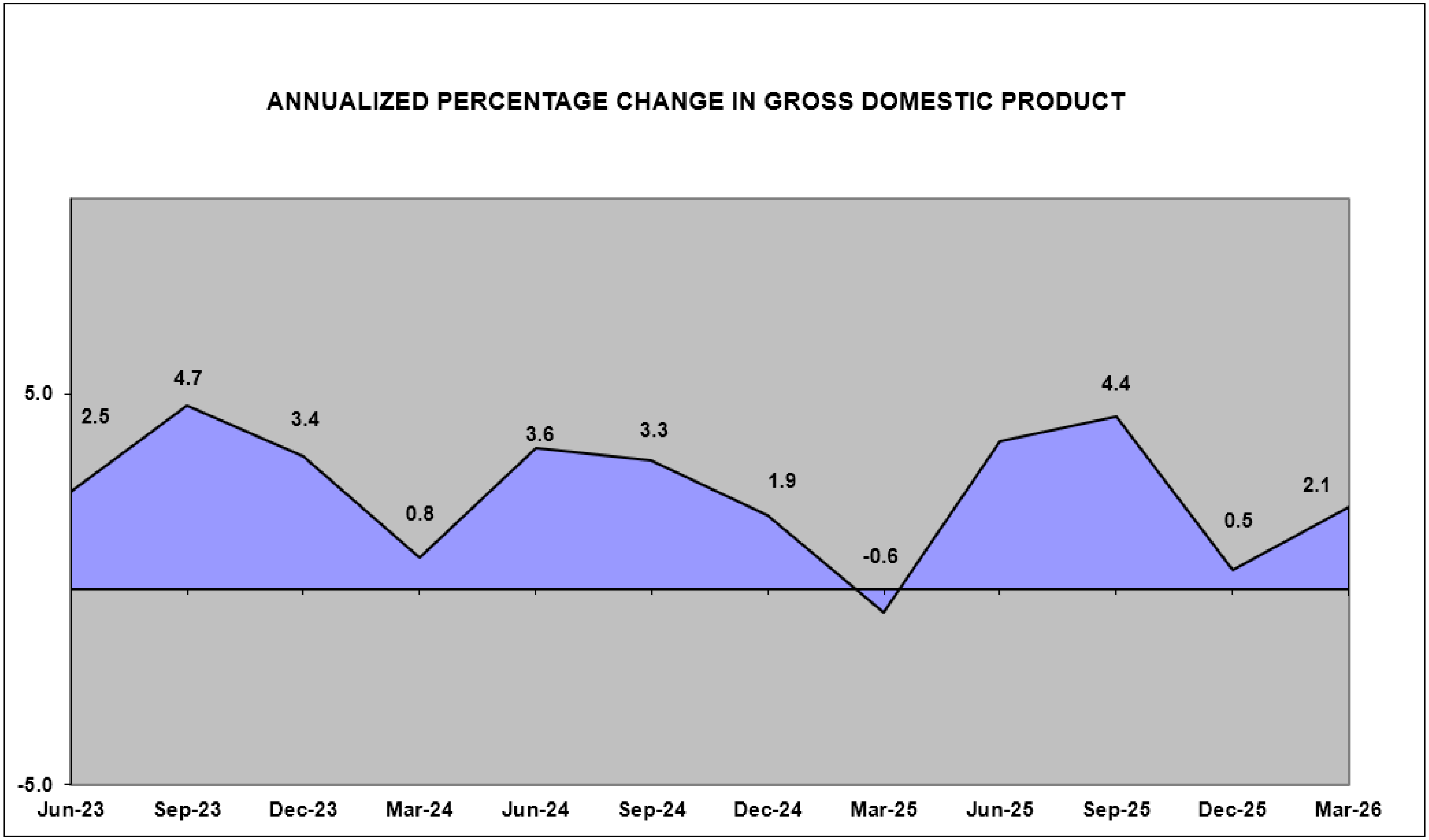
Consumer Confidence is the average of responses to current business and employment conditions and responses to six-month future expectations for business conditions, employment conditions, and total family income



Source: Conference Board

ECONOMIC TREND: GDP (Gross Domestic Product)

The Gross domestic product is the value of all goods and services produced. GDP is released one quarter in arears.



Source: Bureau of Economic Analysis

Santa Barbara County Treasurer's Investment Pool
Statement of Assets
As of June 30, 2026

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value ** 06/30/2026	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value ** 03/31/2026	Net Change
Cash - BofA (Non-Interest Bearing)	$ 13,981,077	$ -	$ 13,981,077	0.53	0.000%	1	$ 16,399,582	$ (2,418,505)
Cash - BofA (Interest Bearing - Short Term)	33,783,517	-	33,783,517	1.28	2.180	1	50,128,576	(16,345,059)
Cash - BofA (Interest Bearing - Long Term)	20,000,000	-	20,000,000	0.76	2.640	1	5,000,000	15,000,000
California Asset Management Program (CAMP)	1,000,000	-	1,000,000	0.04	3.770	1	55,000,000	(54,000,000)
Local Agency Investment Fund (LAIF)	75,000,000	-	75,000,000	2.85	3.830	1	75,000,000	-
CalTrust	10,000,000		10,000,000	0.38	3.750	1	10,000,000	-
California Class	1,000,000		1,000,000	0.04	3.720	1	10,000,000	(9,000,000)
CalFIT	10,000,000	-	10,000,000	0.38	3.780	1	10,000,000	-
Government Agency Bonds	484,837,900	(1,332,100)	483,505,800	18.37	4.009	602	531,965,330	(48,459,530)
Government Agency Bonds - Discount Notes	195,117,964	2,422,536	197,540,500	7.50	3.627	117	136,902,120	60,638,380
US Treasury Notes	1,476,975,226	26,775,474	1,503,750,700	57.12	3.846	1,000	1,477,884,850	25,865,850
US Treasury Bills	73,179,794	1,560,756	74,740,550	2.84	3.537	34	74,062,450	678,100
Government Agency Bonds - Callables	184,945,000	(1,220,200)	183,724,800	6.98	3.007	891	232,293,550	(48,568,750)
State of California Notes	25,000,000	(401,500)	24,598,500	0.93	4.050	1,735	-	24,598,500
Total	$ 2,604,820,477	$ 27,804,967	$ 2,632,625,444	100.00	3.742%	771	$ 2,684,636,458	$ (52,011,014)

** Fair Value obtained from US Bank
*** Total pool earnings net of administrative expenses include interest earned, accretion of bond discounts, and realized gains or losses on investments.

Treasurer's Pool Earnings Summary:

Total Net Earnings on the Treasurer's Pool *	$ 25,123,495
Average Daily Balance on the Treasurer's Pool	$ 2,796,079,028
Net Interest Rate on the Treasurer's Pool	3.57%

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value 06/30/2026	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value 03/31/2026	Net Change
Cannabis Cash *	$ 2,000,000	$ -	$ 2,000,000	12.63	0.000%	1	$ 2,000,000	$ -
Cannabis Cash (Interest Bearing) *	13,837,203		13,837,203	87.37	2.180%	1	12,617,643	1,219,560
Total	$ 15,837,203	$ -	$ 15,837,203	100.00			$ 14,617,643	$ 1,219,560

* Proceeds from Cannabis operations are segregated from the Investment Pool and do not receive Investment Pool interest apportionment.

Santa Barbara County Treasurer's Investment Pool
Notes to the Statement of Assets
June 30, 2026

<u>Note 1 – Summary of Significant Accounting Policies</u>

The Financial Reporting Entity

The Treasurer's Investment Pool Statement of Assets includes the cash balances of substantially all funds, which are invested by the County Treasurer. The Santa Barbara County Treasurer's Investment Pool (The Pool) is managed by the Treasurer on behalf of the Pool participants which includes the County, local school districts, and certain special districts who are required by State statutes to participate in the pool. Other municipal agencies may voluntarily participate in the pool.

Cash

The cash balance on the Statement of Assets includes cash on deposit at the bank, deposits in-transit to the bank, and deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

Investments

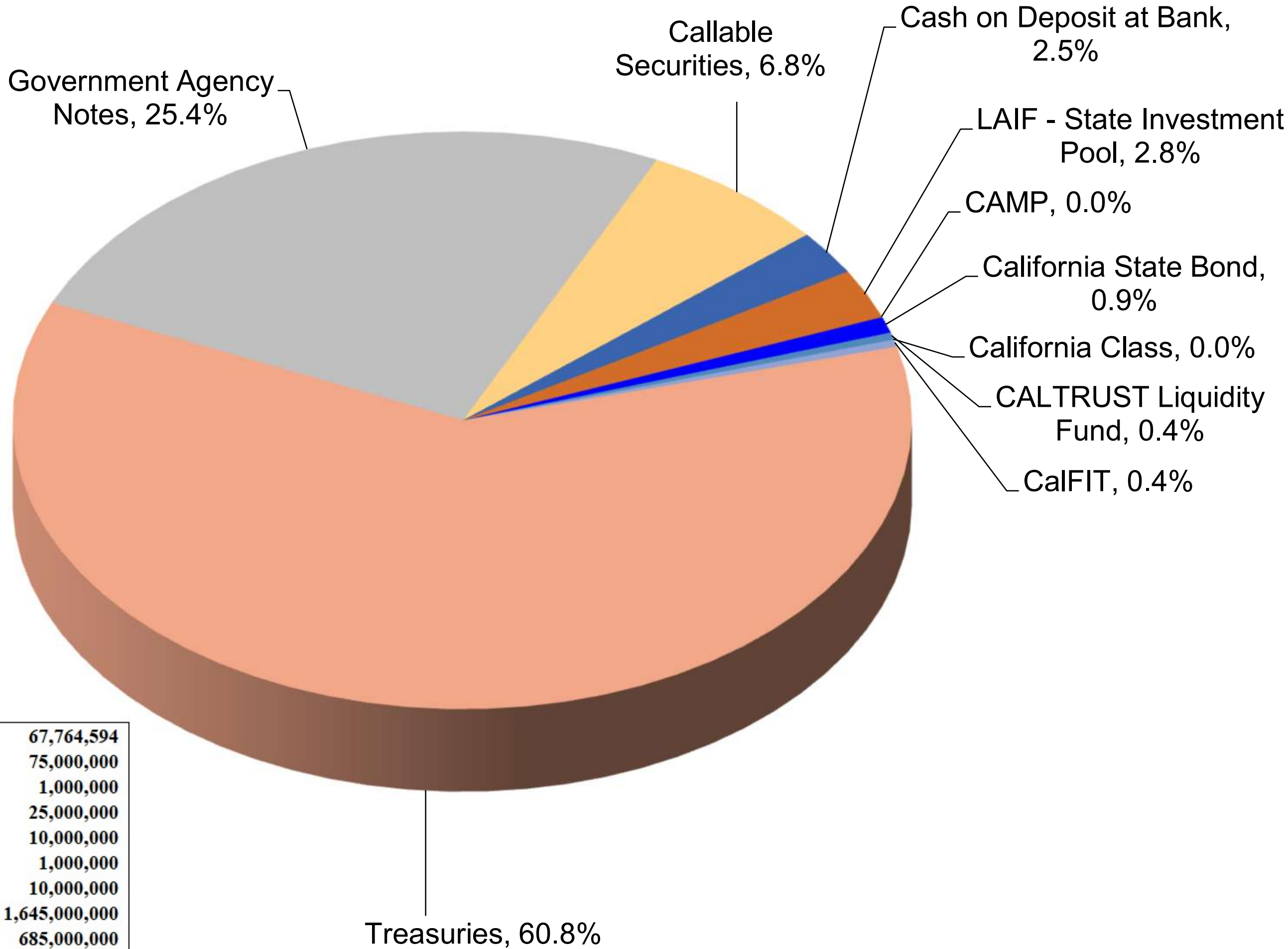
Pursuant to Section 53646 of the Government Code, the County Treasurer prepares an *Investment Policy Statement* annually, presents it to the Board of Supervisors and Treasury Oversight Committee, which the Board of Supervisors will review and approve.

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. The objectives of the Pool are primarily to safeguard investment principal, secondarily to maintain sufficient liquidity to meet cash flow needs, and lastly to attain a return on the funds. All investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and investment pools managed by a Joint Powers Authority.

Financial Statement Presentation

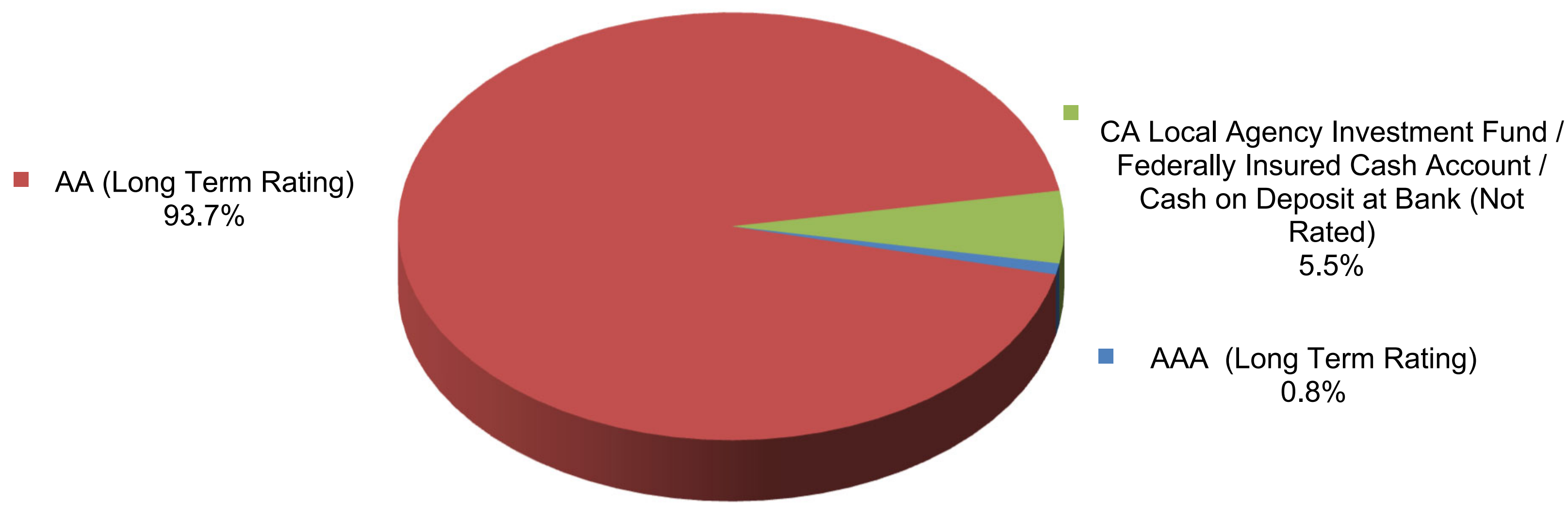
The accompanying special-purpose statement of assets was prepared on the modified cash basis of accounting and for the purpose of presenting the assets of the Treasury pursuant to the California Government Code Section 26920 and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, Treasury management has elected to omit certain note disclosures required by Governmental Accounting Standards Board statements since such disclosures are not required by the California Government Code Section 26920.

TREASURER'S INVESTMENT POOL
ASSET DISTRIBUTION BY SECTOR (PAR VALUE)
June 30, 2026



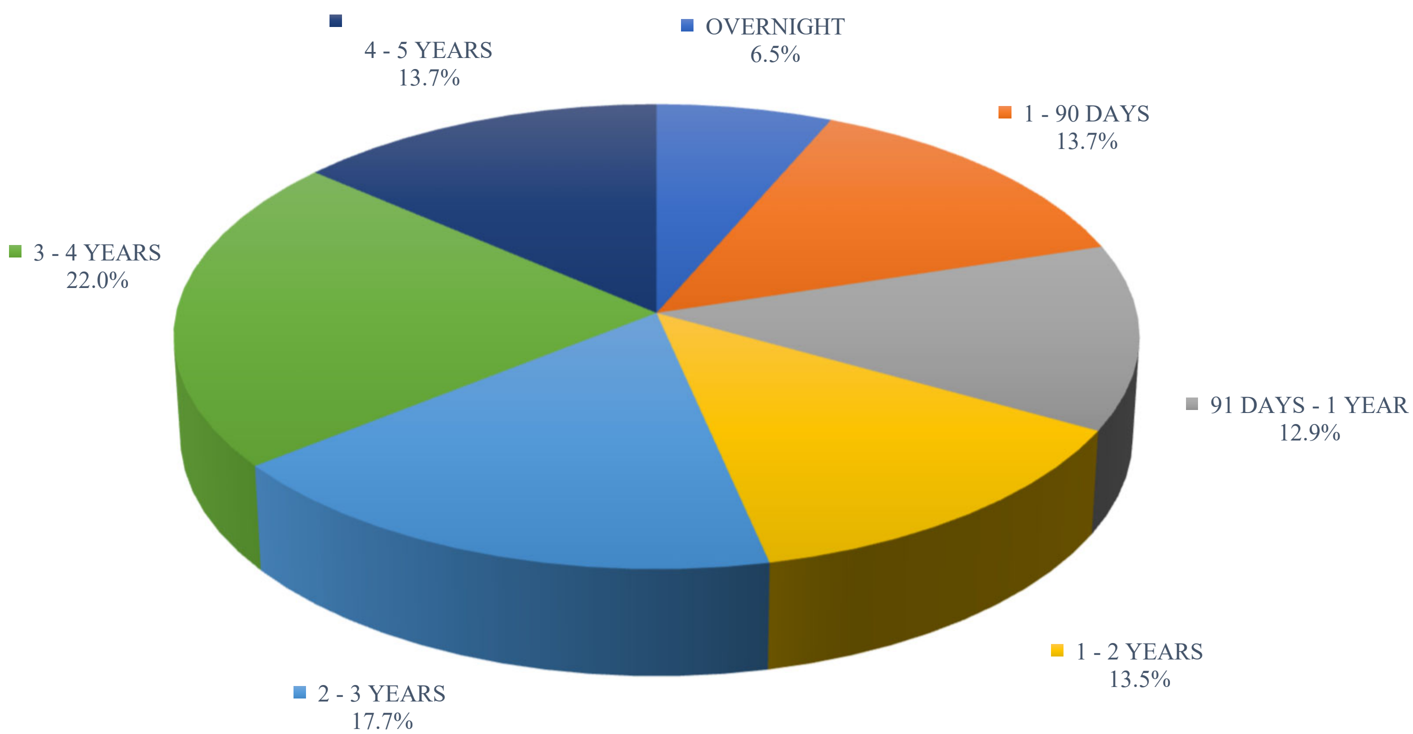
Cash on Deposit at Bank	**$**	**67,764,594**
LAIF - State Investment Pool	**$**	**75,000,000**
CAMP	**$**	**1,000,000**
California State Bond	**$**	**25,000,000**
CALTRUST (Liquidity Fund)	**$**	**10,000,000**
California Class	**$**	**1,000,000**
CalFIT	**$**	**10,000,000**
Treasuries	**$**	**1,645,000,000**
Government Agency Notes	**$**	**685,000,000**
Callable Securities	**$**	**185,000,000**
TOTAL	**$**	**2,704,764,594**

S&P CREDIT RATING AT TIME OF PURCHASE
BY PERCENT OF BOOK VALUE
June 30, 2026

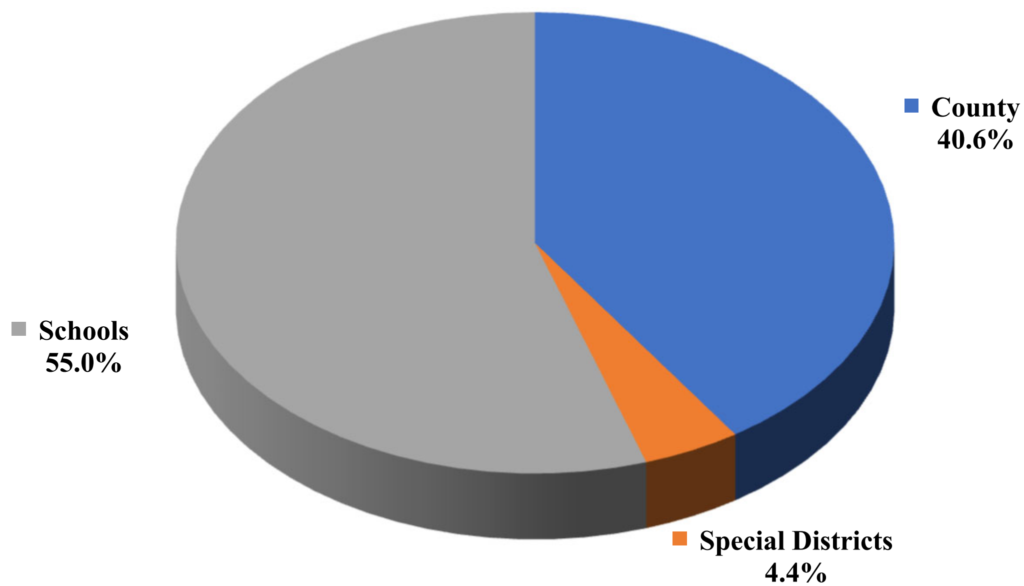


Investment Policy Requirements:
-- US Treasuries: N/A
-- Agency of the Federal Government/US Government Sponsored: N/A
-- Commercial Paper of US Corporations, Assets Greater Than $500 million: A1, P1, F1 (by two of the three rating agencies)
-- State of California - LAIF/Managed Investment Pools: N/A
-- Negotiable CD's: A1, P1, F1 (by two of the three rating agencies)
-- Medium Term Notes/Corporate Notes of US Corporations: Up to three years: AA- by at least two of the three rating agencies. Greater than three years: AA by at least two of the three rating agencies.

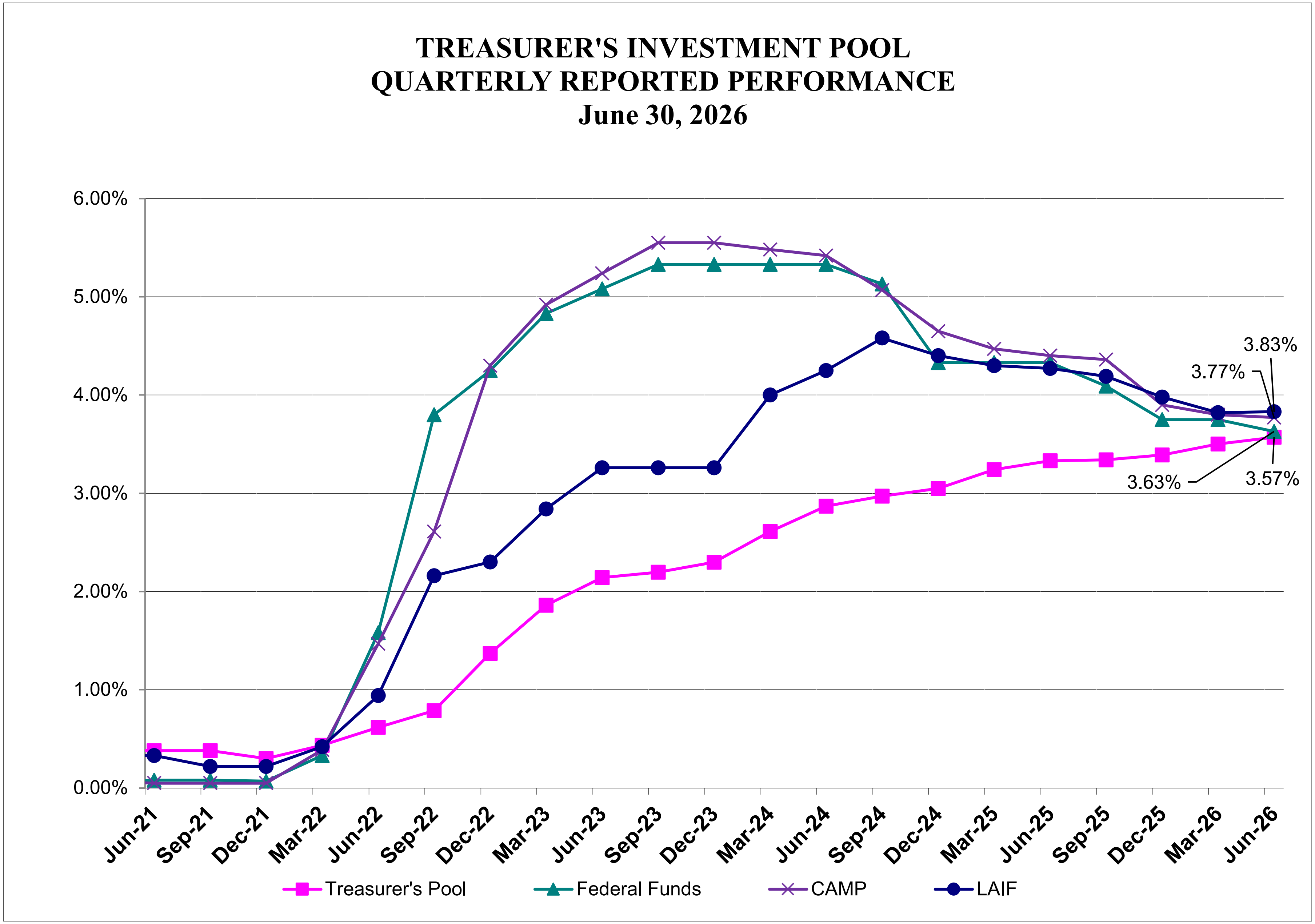
TREASURER'S INVESTMENT POOL
MATURITY DISTRIBUTION
June 30, 2026



TREASURER'S INVESTMENT POOL
AVERAGE DAILY CASH BALANCE & INCOME DISTRIBUTION
FOR THE QUARTER ENDED
June 30, 2026



The average daily cash balance of all entities in the pool during the quarter was $2,796,079,028.
Aggregate interest earnings of $25,123,495 was distributed to pool participants.



TREASURER'S INVESTMENT POOL
QUARTERLY REPORTED PERFORMANCE
June 30, 2026
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
3.83%
3.77%
3.63%
3.57%
Jun-21
Sep-21
Dec-21
Mar-22
Jun-22
Sep-22
Dec-22
Mar-23
Jun-23
Sep-23
Dec-23
Mar-24
Jun-24
Sep-24
Dec-24
Mar-25
Jun-25
Sep-25
Dec-25
Mar-26
Jun-26
Treasurer's Pool
Federal Funds
CAMP
LAIF

County Pool 2025-2026
Purchases Report
Sorted by Fund - Fund
April 1, 2026 - June 30, 2026

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
Treasurer's Pooled Investments													
313385U38	7863	1	AFD	FHDN	20,000,000.00	04/06/2026	12/23 - At Maturity	19,480,900.00		3.580	12/23/2026	3.706	19,651,944.44
91282CPW5	7862	1	TRC	USTR	20,000,000.00	04/06/2026	07/31 - 01/31	19,836,718.75	134,668.51	3.750	01/31/2031	3.937	19,844,692.73
3136GD2X0	7864	1	MC1	FNMA	20,000,000.00	04/14/2026	10/14 - 04/14	20,000,000.00		4.200	04/14/2031	3.744	20,000,000.00
313384BM0	7866	1	AFD	FHDN	20,000,000.00	04/15/2026	02/05 - At Maturity	19,413,755.60		3.565	02/05/2027	3.697	19,566,258.37
313384AD1	7867	1	AFD	FHLBDN	20,000,000.00	04/15/2026	01/04 - At Maturity	19,476,400.00		3.570	01/04/2027	3.696	19,629,116.67
3136GD2W2	7865	1	MC1	FNMA	20,000,000.00	04/15/2026	10/15 - 04/15	20,000,000.00		4.380	04/15/2031	4.380	20,000,000.00
91282CBL4	7868	1	TRC	USTR	20,000,000.00	04/15/2026	08/15 - 02/15	17,627,520.00	36,671.27	1.125	02/15/2031	3.835	17,730,904.81
91282CPW5	7869	1	TRC	USTR	20,000,000.00	04/15/2026	07/31 - 01/31	19,903,125.00	153,314.92	3.750	01/31/2031	3.861	19,907,382.63
13063ETP1	7870	1	MUN	CAS	25,000,000.00	04/24/2026	10/01 - 04/01	25,000,000.00	28,125.00	4.050	04/01/2031	4.050	25,000,000.00
313385D94	7873	1	AFD	FHDN	10,000,000.00	05/13/2026	08/31 - At Maturity	9,890,152.78		3.595	08/31/2026	3.685	9,939,084.72
313385YS9	7874	1	AFD	FHDN	10,000,000.00	05/13/2026	06/29 - At Maturity	9,953,652.78			06/29/2026	3.616	0.00
313385H66	7876	1	AFD	FHLBDN	10,000,000.00	05/13/2026	09/29 - At Maturity	9,861,000.00		3.600	09/29/2026	3.701	9,910,000.00
91282CNG2	7871	1	TRC	USTR	20,000,000.00	05/13/2026	05/31 - 11/30	19,940,625.00	Received	4.000	05/31/2030	4.080	19,942,592.12
91282CNX5	7872	1	TRC	USTR	20,000,000.00	05/13/2026	08/31 - 02/28	19,626,562.50	145,788.04	3.625	08/31/2030	4.102	19,638,210.14
3136GDCB7	7877	1	MC1	FNMA	20,000,000.00	05/15/2026	12/16 - 06/16	20,000,000.00		4.530	12/16/2030	4.529	20,000,000.00
3136GDCC5	7878	1	MC1	FNMA	20,000,000.00	05/15/2026	12/16 - 06/16	20,000,000.00		4.400	12/16/2030	4.399	20,000,000.00
				Subtotal	**295,000,000.00**			**290,010,412.41**	**498,567.74**				**280,760,186.63**
				Total Purchases	**295,000,000.00**			**290,010,412.41**	**498,567.74**				**280,760,186.63**

Received = Accrued Interest at Purchase was received by report ending date.

County Pool 2025-2026
Maturity Report
Sorted by Maturity Date
Amounts due during April 1, 2026 - June 30, 2026

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
3130AM7K2	7344	1	FAC	FHLB	10,000,000.00	04/30/2026	04/30/2021	1.250 V	10,000,000.00	62,500.00	10,062,500.00	62,500.00
3130AMAM4	7345	1	FAC	FHLB	5,000,000.00	04/30/2026	04/30/2021	1.250 V	5,000,000.00	31,250.00	5,031,250.00	31,250.00
313385WF9	7816	1	AFD	FHLBDN	10,000,000.00	05/01/2026	09/30/2025	3.670	10,000,000.00	0.00	10,000,000.00	0.00
313385WJ1	7849	1	AFD	FHDN	15,000,000.00	05/04/2026	02/06/2026	3.565	15,000,000.00	0.00	15,000,000.00	0.00
313385WM4	7820	1	AFD	FHDN	20,000,000.00	05/07/2026	11/07/2025	3.650	20,000,000.00	0.00	20,000,000.00	0.00
313385WM4	7829	1	AFD	FHDN	10,000,000.00	05/07/2026	12/16/2025	3.515	10,000,000.00	0.00	10,000,000.00	0.00
3130AUAV6	7563	1	FAC	FHLB	10,000,000.00	05/07/2026	12/16/2022	3.830	10,000,000.00	191,500.00	10,191,500.00	191,500.00
912828R36	7492	1	TRC	USTR	10,000,000.00	05/15/2026	04/08/2022	1.625	10,000,000.00	81,250.00	10,081,250.00	81,250.00
912828R36	7536	1	TRC	USTR	10,000,000.00	05/15/2026	11/10/2022	1.625	10,000,000.00	81,250.00	10,081,250.00	81,250.00
912828R36	7799	1	TRC	USTR	20,000,000.00	05/15/2026	06/05/2025	1.625	20,000,000.00	162,500.00	20,162,500.00	162,500.00
313385XB7	7815	1	AFD	FHLBDN	10,000,000.00	05/21/2026	09/19/2025	3.640	10,000,000.00	0.00	10,000,000.00	0.00
313385XB7	7834	1	AFD	FHLBDN	10,000,000.00	05/21/2026	12/16/2025	3.505	10,000,000.00	0.00	10,000,000.00	0.00
3130AMLL4	7357	1	MC1	FHLB	8,000,000.00	05/26/2026	05/26/2021	0.950	8,000,000.00	38,000.00	8,038,000.00	38,000.00
91282CCF6	7365	1	TRC	USTR	10,000,000.00	05/31/2026	06/17/2021	0.750	10,000,000.00	37,500.00	10,037,500.00	37,500.00
3133ENGC8	7438	1	FAC	FFCB	6,000,000.00	06/01/2026	12/01/2021	1.320	6,000,000.00	39,600.00	6,039,600.00	39,600.00
313385XR2	7847	1	AFD	FHLBDN	20,000,000.00	06/04/2026	01/21/2026	3.540	20,000,000.00	0.00	20,000,000.00	0.00
3130AWGR5	7614	1	FAC	FHLB	15,000,000.00	06/12/2026	07/19/2023	4.375	15,000,000.00	328,125.00	15,328,125.00	328,125.00
3133EMH21	7374	1	MC1	FFCB	10,000,000.00	06/15/2026	06/29/2021	0.900	10,000,000.00	45,000.00	10,045,000.00	45,000.00
313385YF7	7830	1	AFD	FHLBDN	20,000,000.00	06/18/2026	12/16/2025	3.495	20,000,000.00	0.00	20,000,000.00	0.00
3133ENHV5	7457	1	MC1	FFCB	15,000,000.00	06/22/2026	12/22/2021	1.390	15,000,000.00	104,250.00	15,104,250.00	104,250.00
313385YS9	7874	1	AFD	FHDN	10,000,000.00	06/29/2026	05/13/2026		10,000,000.00	0.00	10,000,000.00	0.00
91282CCJ8	7424	1	TRC	USTR	15,000,000.00	06/30/2026	11/10/2021	0.875	15,000,000.00	65,625.00	15,065,625.00	65,625.00
			Total Maturities		**269,000,000.00**				**269,000,000.00**	**1,268,350.00**	**270,268,350.00**	**1,268,350.00**

V - Security with variable rate change.

County Pool 2025-2026
Portfolio Management
Portfolio Details - Investments
June 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
BofA												
SYS7186	7186	Bank of America Corp.		07/01/2025	13,981,077.00	13,981,077.00	13,981,077.00			0.000	1	
		Subtotal and Average	**153,638.21**		**13,981,077.00**	**13,981,077.00**	**13,981,077.00**			**0.000**	**1**	
BofA												
SYS7628	7606	Bank of America Corp.		07/01/2023	33,783,517.00	33,783,517.00	33,783,517.00	2.180		2.180	1	
		Subtotal and Average	**371,247.44**		**33,783,517.00**	**33,783,517.00**	**33,783,517.00**			**2.180**	**1**	
BofA												
SYS7739	7739	Bank of America Interest 953			20,000,000.00	20,000,000.00	20,000,000.00	2.640		2.640	1	
		Subtotal and Average	**21,472,527.47**		**20,000,000.00**	**20,000,000.00**	**20,000,000.00**			**2.640**	**1**	
FICA												
SYS6255	6255	FICA			0.00	0.00	0.00	3.680		3.680	1	
		Subtotal and Average	**0.00**		**0.00**	**0.00**	**0.00**			**0.000**	**0**	
CAMP												
SYS5272	5272	CAMP			1,000,000.00	1,000,000.00	1,000,000.00	3.770	AAA	3.770	1	
		Subtotal and Average	**55,505,494.51**		**1,000,000.00**	**1,000,000.00**	**1,000,000.00**			**3.770**	**1**	
Local Agency Investment Funds												
SYS1009	1009	LAIF			75,000,000.00	75,000,000.00	75,000,000.00	3.830		3.830	1	
		Subtotal and Average	**75,000,000.00**		**75,000,000.00**	**75,000,000.00**	**75,000,000.00**			**3.830**	**1**	
CALTRUST												
SYS7811	7811	CALTRUST		08/25/2025	10,000,000.00	10,000,000.00	10,000,000.00	3.750	AAA	3.750	1	
		Subtotal and Average	**10,000,000.00**		**10,000,000.00**	**10,000,000.00**	**10,000,000.00**			**3.750**	**1**	
CA CLASS												
SYS7819	7819	California CLASS		10/08/2025	1,000,000.00	1,000,000.00	1,000,000.00	3.720	AAA	3.720	1	
		Subtotal and Average	**7,428,571.43**		**1,000,000.00**	**1,000,000.00**	**1,000,000.00**			**3.720**	**1**	
CALFIT												
SYS7836	7836	CALFIT		12/18/2025	10,000,000.00	10,000,000.00	10,000,000.00	3.780	AAA	3.780	1	
		Subtotal and Average	**10,000,000.00**		**10,000,000.00**	**10,000,000.00**	**10,000,000.00**			**3.780**	**1**	

County Pool 2025-2026
Portfolio Management
Portfolio Details - Investments
June 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3133ENV72	7530	Federal Farm Credit Bank		10/27/2022	5,000,000.00	5,002,200.00	4,999,562.81	4.500	AA	4.635	26	07/27/2026
3133EPWK7	7639	Federal Farm Credit Bank		09/22/2023	5,000,000.00	5,033,150.00	4,994,259.50	4.500	AA	4.558	814	09/22/2028
3133ETDJ3	7789	Federal Farm Credit Bank		04/14/2025	20,000,000.00	19,797,600.00	20,000,000.00	4.000	AA	4.001	1,311	02/01/2030
3133ETEH6	7791	Federal Farm Credit Bank		04/21/2025	20,000,000.00	19,746,000.00	20,000,000.00	3.910	AA	3.911	1,289	01/10/2030
3133ETEK9	7792	Federal Farm Credit Bank		04/21/2025	20,000,000.00	19,730,200.00	20,000,000.00	3.900	AA	3.901	1,317	02/07/2030
3133ETEZ6	7794	Federal Farm Credit Bank		04/24/2025	20,000,000.00	19,824,800.00	20,000,000.00	3.900	AA	3.901	925	01/11/2029
3133ETHZ3	7797	Federal Farm Credit Bank		05/22/2025	20,000,000.00	19,830,400.00	20,000,000.00	4.070	AA	4.071	1,398	04/29/2030
3130ATTC1	7532	Federal Home Loan Bank		10/28/2022	15,000,000.00	15,025,200.00	15,000,000.00	4.250	AA	4.251	393	07/29/2027
3130ATTB3	7533	Federal Home Loan Bank		10/28/2022	20,000,000.00	20,032,800.00	20,000,000.00	4.250	AA	4.251	365	07/01/2027
3130ATU96	7534	Federal Home Loan Bank		11/02/2022	15,000,000.00	15,012,000.00	15,000,000.00	4.300	AA	4.301	187	01/04/2027
3130ATU88	7535	Federal Home Loan Bank		11/02/2022	15,000,000.00	15,025,200.00	15,000,000.00	4.250	AA	4.251	390	07/26/2027
3130ATXT9	7540	Federal Home Loan Bank		11/23/2022	10,000,000.00	9,992,100.00	10,000,000.00	4.000	AA	4.001	365	07/01/2027
3130ATXV4	7541	Federal Home Loan Bank		11/23/2022	10,000,000.00	9,994,400.00	10,000,000.00	4.010	AA	4.010	328	05/25/2027
3130ATXW2	7542	Federal Home Loan Bank		11/23/2022	10,000,000.00	9,994,300.00	10,000,000.00	4.010	AA	4.010	323	05/20/2027
3130ATXU6	7543	Federal Home Loan Bank		11/23/2022	10,000,000.00	9,994,800.00	10,000,000.00	4.020	AA	4.020	309	05/06/2027
3130AU5Y6	7552	Federal Home Loan Bank		12/08/2022	15,000,000.00	14,962,650.00	15,000,000.00	3.835	AA	3.836	376	07/12/2027
3130AU5X8	7553	Federal Home Loan Bank		12/08/2022	15,000,000.00	15,000,000.00	15,000,000.00	3.970	AA	3.971	1	07/02/2026
3130AUA20	7554	Federal Home Loan Bank		12/13/2022	20,000,000.00	19,945,600.00	20,000,000.00	3.800	AA	3.800	364	06/30/2027
3130AUAX2	7561	Federal Home Loan Bank		12/16/2022	10,000,000.00	9,996,200.00	10,000,000.00	3.770	AA	3.771	62	09/01/2026
3130AUAW4	7562	Federal Home Loan Bank		12/16/2022	10,000,000.00	10,000,000.00	10,000,000.00	3.810	AA	3.810	0	07/01/2026
3130AVN24	7592	Federal Home Loan Bank		04/11/2023	15,000,000.00	14,992,350.00	15,000,000.00	3.710	AA	3.711	71	09/10/2026
3130AVN32	7593	Federal Home Loan Bank		04/11/2023	15,000,000.00	14,934,000.00	15,000,000.00	3.610	AA	3.611	351	06/17/2027
3130AVN40	7594	Federal Home Loan Bank		04/11/2023	15,000,000.00	14,846,100.00	15,000,000.00	3.550	AA	3.551	561	01/13/2028
3130AVPQ9	7603	Federal Home Loan Bank		04/17/2023	15,000,000.00	14,916,900.00	15,000,000.00	3.510	AA	3.511	365	07/01/2027
3130AVPR7	7604	Federal Home Loan Bank		04/17/2023	15,000,000.00	14,897,100.00	15,000,000.00	3.490	AA	3.491	421	08/26/2027
3130AVPS5	7605	Federal Home Loan Bank		04/17/2023	15,000,000.00	14,892,150.00	15,000,000.00	3.480	AA	3.481	428	09/02/2027
3130AWC24	7615	Federal Home Loan Bank		07/19/2023	10,000,000.00	9,969,100.00	9,992,821.70	4.000	AA	4.040	709	06/09/2028
3130AWTQ3	7619	Federal Home Loan Bank		09/07/2023	10,000,000.00	10,012,300.00	9,996,280.44	4.625	AA	4.829	72	09/11/2026
3130AXEL8	7645	Federal Home Loan Bank		10/27/2023	10,000,000.00	10,118,800.00	9,977,167.56	4.750	AA	4.869	800	09/08/2028
3130AXPL6	7646	Federal Home Loan Bank		11/01/2023	10,000,000.00	10,107,100.00	10,000,000.00	4.810	AA	4.812	743	07/13/2028
3130AXPM4	7647	Federal Home Loan Bank		11/01/2023	10,000,000.00	10,109,100.00	10,000,000.00	4.810	AA	4.812	757	07/27/2028
3130AY6F8	7667	Federal Home Loan Bank		12/15/2023	20,000,000.00	19,870,800.00	20,000,000.00	3.920	AA	3.921	743	07/13/2028
3130AY6H4	7668	Federal Home Loan Bank		12/15/2023	20,000,000.00	19,892,800.00	20,000,000.00	3.930	AA	3.931	673	05/04/2028
3130B3WE9	7752	Federal Home Loan Bank		11/26/2024	20,000,000.00	20,007,600.00	20,000,000.00	4.270	AA	4.271	1,105	07/10/2029
		Subtotal and Average	**509,580,809.28**		**485,000,000.00**	**483,505,800.00**	**484,960,092.01**			**4.009**	**602**	

County Pool 2025-2026
Portfolio Management
Portfolio Details - Investments
June 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Disc. -Amortizing												
313385D52	7826	FHLB Disc Corp		11/24/2025	20,000,000.00	19,882,000.00	19,889,166.67	3.500	AA	3.624	57	08/27/2026
313385H58	7848	FHLB Disc Corp		01/21/2026	20,000,000.00	19,815,800.00	19,828,922.22	3.460	AA	3.577	89	09/28/2026
313385P91	7853	FHLB Disc Corp		02/23/2026	10,000,000.00	9,851,900.00	9,865,462.50	3.435	AA	3.554	141	11/19/2026
313385L53	7854	FHLB Disc Corp		02/23/2026	10,000,000.00	9,882,500.00	9,891,080.56	3.470	AA	3.586	113	10/22/2026
313385U38	7863	FHLB Disc Corp		04/06/2026	20,000,000.00	19,630,000.00	19,651,944.44	3.580	AA	3.706	175	12/23/2026
313384BM0	7866	FHLB Disc Corp		04/15/2026	20,000,000.00	19,533,800.00	19,566,258.37	3.565	AA	3.697	219	02/05/2027
313385D94	7873	FHLB Disc Corp		05/13/2026	10,000,000.00	9,937,000.00	9,939,084.72	3.595	AA	3.685	61	08/31/2026
313385J72	7851	Federal Home Loan Bank		02/23/2026	10,000,000.00	9,896,900.00	9,904,162.50	3.485	AA	3.600	99	10/08/2026
313385B70	7827	Fed Home Ln Discount Nt		11/24/2025	20,000,000.00	19,910,600.00	19,915,911.11	3.520	AA	3.643	43	08/13/2026
313385G91	7837	Fed Home Ln Discount Nt		12/19/2025	20,000,000.00	19,824,000.00	19,841,097.22	3.365	AA	3.482	85	09/24/2026
313385N36	7852	Fed Home Ln Discount Nt		02/23/2026	10,000,000.00	9,866,500.00	9,878,291.67	3.450	AA	3.567	127	11/05/2026
313384AD1	7867	Fed Home Ln Discount Nt		04/15/2026	20,000,000.00	19,602,600.00	19,629,116.67	3.570	AA	3.696	187	01/04/2027
313385H66	7876	Fed Home Ln Discount Nt		05/13/2026	10,000,000.00	9,906,900.00	9,910,000.00	3.600	AA	3.701	90	09/29/2026
		Subtotal and Average	**248,473,924.04**		**200,000,000.00**	**197,540,500.00**	**197,710,498.65**			**3.627**	**117**	
Treasury Coupon Securities												
91282CCP4	7425	U.S. Treasury		11/10/2021	15,000,000.00	14,962,050.00	14,994,799.97	0.625	AA	1.059	30	07/31/2026
91282CCP4	7445	U.S. Treasury		12/13/2021	20,000,000.00	19,949,400.00	19,990,270.18	0.625	AA	1.236	30	07/31/2026
91282CCP4	7447	U.S. Treasury		12/14/2021	20,000,000.00	19,949,400.00	19,990,957.84	0.625	AA	1.192	30	07/31/2026
91282CCP4	7466	U.S. Treasury		01/10/2022	10,000,000.00	9,974,700.00	9,993,206.93	0.625	AA	1.483	30	07/31/2026
91282CCP4	7468	U.S. Treasury		01/19/2022	10,000,000.00	9,974,700.00	9,992,241.82	0.625	AA	1.607	30	07/31/2026
9128282A7	7469	U.S. Treasury		01/19/2022	10,000,000.00	9,970,300.00	9,998,820.40	1.500	AA	1.600	45	08/15/2026
91282CFB2	7519	U.S. Treasury		10/06/2022	10,000,000.00	9,853,500.00	9,877,544.95	2.750	AA	4.005	395	07/31/2027
91282CFH9	7569	U.S. Treasury		01/12/2023	10,000,000.00	9,885,900.00	9,941,482.44	3.125	AA	3.675	426	08/31/2027
912828Z78	7570	U.S. Treasury		01/12/2023	10,000,000.00	9,856,300.00	9,878,676.10	1.500	AA	3.751	214	01/31/2027
91282CFB2	7571	U.S. Treasury		01/12/2023	20,000,000.00	19,707,000.00	19,812,725.77	2.750	AA	3.698	395	07/31/2027
91282CGH8	7575	U.S. Treasury		02/24/2023	5,000,000.00	4,948,450.00	4,948,289.23	3.500	AA	4.229	579	01/31/2028
91282CFB2	7576	U.S. Treasury		02/24/2023	10,000,000.00	9,853,500.00	9,847,038.20	2.750	AA	4.317	395	07/31/2027
912828Z78	7577	U.S. Treasury		02/28/2023	10,000,000.00	9,856,300.00	9,847,862.88	1.500	AA	4.353	214	01/31/2027
91282CEW7	7578	U.S. Treasury		02/28/2023	10,000,000.00	9,916,100.00	9,906,183.20	3.250	AA	4.290	364	06/30/2027
91282CAL5	7580	U.S. Treasury		03/22/2023	10,000,000.00	9,545,700.00	9,609,051.72	0.375	AA	3.815	456	09/30/2027
91282CBJ9	7585	U.S. Treasury		03/27/2023	10,000,000.00	9,480,100.00	9,614,320.12	0.750	AA	3.411	579	01/31/2028
91282CBP5	7586	U.S. Treasury		03/27/2023	10,000,000.00	9,515,200.00	9,654,833.33	1.125	AA	3.395	608	02/29/2028
91282CBJ9	7589	U.S. Treasury		04/04/2023	10,000,000.00	9,480,100.00	9,608,336.51	0.750	AA	3.454	579	01/31/2028
91282CFB2	7590	U.S. Treasury		04/04/2023	5,000,000.00	4,926,750.00	4,963,294.84	2.750	AA	3.486	395	07/31/2027
91282CBB6	7591	U.S. Treasury		04/06/2023	15,000,000.00	14,235,900.00	14,434,466.67	0.625	AA	3.365	548	12/31/2027

County Pool 2025-2026
Portfolio Management
Portfolio Details - Investments
June 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Treasury Coupon Securities												
912828Z78	7596	U.S. Treasury		04/13/2023	10,000,000.00	9,856,300.00	9,887,157.47	1.500	AA	3.578	214	01/31/2027
9128283W8	7598	U.S. Treasury		04/13/2023	10,000,000.00	9,778,900.00	9,892,444.53	2.750	AA	3.474	594	02/15/2028
91282CFB2	7600	U.S. Treasury		04/13/2023	10,000,000.00	9,853,500.00	9,923,214.01	2.750	AA	3.520	395	07/31/2027
91282CBJ9	7601	U.S. Treasury		04/14/2023	10,000,000.00	9,480,100.00	9,603,650.88	0.750	AA	3.487	579	01/31/2028
9128284N7	7612	U.S. Treasury		07/13/2023	15,000,000.00	14,653,650.00	14,686,266.26	2.875	AA	4.118	684	05/15/2028
91282CCH2	7613	U.S. Treasury		07/13/2023	15,000,000.00	14,170,350.00	14,234,224.37	1.250	AA	4.100	730	06/30/2028
9128284V9	7627	U.S. Treasury		09/07/2023	10,000,000.00	9,739,800.00	9,698,891.35	2.875	AA	4.470	776	08/15/2028
91282CCR0	7638	U.S. Treasury		09/20/2023	5,000,000.00	4,687,500.00	4,673,945.14	1.000	AA	4.522	761	07/31/2028
91282CFB2	7671	U.S. Treasury		01/17/2024	10,000,000.00	9,853,500.00	9,867,574.80	2.750	AA	4.076	395	07/31/2027
91282CHQ7	7672	U.S. Treasury		01/17/2024	10,000,000.00	9,993,000.00	10,019,375.19	4.125	AA	4.022	761	07/31/2028
91282CDW8	7676	U.S. Treasury		02/21/2024	10,000,000.00	9,411,300.00	9,424,418.60	1.750	AA	4.240	945	01/31/2029
91282CHK0	7677	U.S. Treasury		02/21/2024	10,000,000.00	9,969,100.00	9,948,381.52	4.000	AA	4.285	730	06/30/2028
91282CHQ7	7678	U.S. Treasury		02/21/2024	10,000,000.00	9,993,000.00	9,972,875.89	4.125	AA	4.269	761	07/31/2028
9128284V9	7688	U.S. Treasury		04/02/2024	20,000,000.00	19,479,600.00	19,421,099.62	2.875	AA	4.386	776	08/15/2028
91282CDW8	7689	U.S. Treasury		04/05/2024	10,000,000.00	9,411,300.00	9,394,542.33	1.750	AA	4.372	945	01/31/2029
9128284N7	7690	U.S. Treasury		04/05/2024	10,000,000.00	9,769,100.00	9,737,440.67	2.875	AA	4.423	684	05/15/2028
91282CCY5	7691	U.S. Treasury		04/05/2024	10,000,000.00	9,378,900.00	9,365,257.02	1.250	AA	4.389	822	09/30/2028
9128284V9	7695	U.S. Treasury		04/09/2024	20,000,000.00	19,479,600.00	19,409,392.70	2.875	AA	4.417	776	08/15/2028
9128284N7	7697	U.S. Treasury		04/11/2024	20,000,000.00	19,538,200.00	19,400,928.09	2.875	AA	4.649	684	05/15/2028
9128286B1	7698	U.S. Treasury		04/11/2024	20,000,000.00	19,239,000.00	19,082,721.63	2.625	AA	4.591	960	02/15/2029
91282CCV1	7699	U.S. Treasury		04/11/2024	20,000,000.00	18,751,600.00	18,641,297.57	1.125	AA	4.624	792	08/31/2028
91282CCH2	7700	U.S. Treasury		04/11/2024	20,000,000.00	18,893,800.00	18,782,765.86	1.250	AA	4.637	730	06/30/2028
91282CCY5	7707	U.S. Treasury		05/20/2024	10,000,000.00	9,378,900.00	9,343,308.89	1.250	AA	4.496	822	09/30/2028
91282CHQ7	7708	U.S. Treasury		05/20/2024	10,000,000.00	9,993,000.00	9,929,416.38	4.125	AA	4.499	761	07/31/2028
9128286T2	7710	U.S. Treasury		05/20/2024	10,000,000.00	9,521,500.00	9,468,497.31	2.375	AA	4.459	1,049	05/15/2029
91282CDW8	7711	U.S. Treasury		05/20/2024	10,000,000.00	9,411,300.00	9,370,074.53	1.750	AA	4.478	945	01/31/2029
91282CKR1	7713	U.S. Treasury		05/24/2024	10,000,000.00	10,033,400.00	9,983,986.53	4.500	AA	4.699	318	05/15/2027
912828V98	7714	U.S. Treasury		05/24/2024	10,000,000.00	9,892,200.00	9,855,906.00	2.250	AA	4.727	229	02/15/2027
91282CFC0	7726	U.S. Treasury		08/28/2024	10,000,000.00	9,557,800.00	9,708,401.70	2.625	AA	3.667	1,126	07/31/2029
912828YB0	7728	U.S. Treasury		08/28/2024	10,000,000.00	9,266,800.00	9,430,640.69	1.625	AA	3.633	1,141	08/15/2029
912828YB0	7731	U.S. Treasury		09/05/2024	10,000,000.00	9,266,800.00	9,455,417.45	1.625	AA	3.540	1,141	08/15/2029
91282CFC0	7732	U.S. Treasury		09/05/2024	10,000,000.00	9,557,800.00	9,731,670.74	2.625	AA	3.581	1,126	07/31/2029
9128286B1	7741	U.S. Treasury		10/29/2024	10,000,000.00	9,619,500.00	9,636,942.68	2.625	AA	4.147	960	02/15/2029
9128286T2	7742	U.S. Treasury		10/29/2024	10,000,000.00	9,521,500.00	9,540,835.27	2.375	AA	4.144	1,049	05/15/2029
912828YB0	7743	U.S. Treasury		10/29/2024	10,000,000.00	9,266,800.00	9,300,518.45	1.625	AA	4.114	1,141	08/15/2029
91282CFC0	7744	U.S. Treasury		10/31/2024	20,000,000.00	19,115,600.00	19,149,736.88	2.625	AA	4.157	1,126	07/31/2029

County Pool 2025-2026
Portfolio Management
Portfolio Details - Investments
June 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Treasury Coupon Securities												
91282CFJ5	7750	U.S. Treasury		11/19/2024	10,000,000.00	9,691,400.00	9,668,671.25	3.125	AA	4.292	1,157	08/31/2029
91282CEM9	7751	U.S. Treasury		11/25/2024	20,000,000.00	19,316,400.00	19,272,619.05	2.875	AA	4.298	1,034	04/30/2029
91282CEV9	7753	U.S. Treasury		11/26/2024	20,000,000.00	19,486,800.00	19,475,523.08	3.250	AA	4.220	1,095	06/30/2029
912828YB0	7754	U.S. Treasury		11/26/2024	20,000,000.00	18,533,600.00	18,563,816.74	1.625	AA	4.180	1,141	08/15/2029
91282CFJ5	7759	U.S. Treasury		12/05/2024	20,000,000.00	19,382,800.00	19,438,846.64	3.125	AA	4.108	1,157	08/31/2029
91282CFJ5	7764	U.S. Treasury		12/10/2024	20,000,000.00	19,382,800.00	19,452,940.22	3.125	AA	4.083	1,157	08/31/2029
91282CLC3	7765	U.S. Treasury		12/10/2024	20,000,000.00	19,904,600.00	19,960,533.50	4.000	AA	4.070	1,126	07/31/2029
91282CFL0	7766	U.S. Treasury		12/10/2024	20,000,000.00	19,818,800.00	19,877,410.97	3.875	AA	4.084	1,187	09/30/2029
91282CES6	7767	U.S. Treasury		12/12/2024	20,000,000.00	19,232,000.00	19,266,935.10	2.750	AA	4.139	1,065	05/31/2029
912828YB0	7768	U.S. Treasury		12/12/2024	20,000,000.00	18,533,600.00	18,608,842.27	1.625	AA	4.092	1,141	08/15/2029
91282CES6	7770	U.S. Treasury		12/18/2024	20,000,000.00	19,232,000.00	19,209,442.31	2.750	AA	4.251	1,065	05/31/2029
91282CKX8	7772	U.S. Treasury		12/18/2024	20,000,000.00	20,045,400.00	20,000,000.00	4.250	AA	4.250	1,095	06/30/2029
9128286T2	7773	U.S. Treasury		12/18/2024	20,000,000.00	19,043,000.00	19,041,418.45	2.375	AA	4.219	1,049	05/15/2029
91282CKX8	7776	U.S. Treasury		01/14/2025	10,000,000.00	10,022,700.00	9,911,234.44	4.250	AA	4.580	1,095	06/30/2029
912828YB0	7777	U.S. Treasury		01/14/2025	10,000,000.00	9,266,800.00	9,187,137.56	1.625	AA	4.534	1,141	08/15/2029
91282CGJ4	7778	U.S. Treasury		02/06/2025	20,000,000.00	19,550,800.00	19,514,148.35	3.500	AA	4.259	1,310	01/31/2030
91282CGB1	7795	U.S. Treasury		05/19/2025	20,000,000.00	19,803,200.00	19,891,015.86	3.875	AA	4.046	1,279	12/31/2029
912828ZV5	7796	U.S. Treasury		05/19/2025	20,000,000.00	19,301,400.00	19,344,316.71	0.500	AA	3.958	364	06/30/2027
9128286B1	7798	U.S. Treasury		06/05/2025	20,000,000.00	19,239,000.00	19,402,664.69	2.625	AA	3.855	960	02/15/2029
91282CHF1	7805	U.S. Treasury		08/21/2025	15,000,000.00	14,762,700.00	14,982,411.98	3.750	AA	3.782	1,430	05/31/2030
912828ZQ6	7808	U.S. Treasury		08/29/2025	15,000,000.00	13,105,650.00	13,384,394.54	0.625	AA	3.679	1,414	05/15/2030
91282CAE1	7813	U.S. Treasury		09/19/2025	10,000,000.00	8,660,200.00	8,864,167.19	0.625	AA	3.658	1,506	08/15/2030
91282CEV9	7814	U.S. Treasury		09/19/2025	10,000,000.00	9,743,400.00	9,902,364.98	3.250	AA	3.600	1,095	06/30/2029
912828ZQ6	7817	U.S. Treasury		09/30/2025	15,000,000.00	13,105,650.00	13,358,675.21	0.625	AA	3.726	1,414	05/15/2030
91282CAE1	7818	U.S. Treasury		09/30/2025	15,000,000.00	12,990,300.00	13,254,985.96	0.625	AA	3.736	1,506	08/15/2030
912828ZQ6	7821	U.S. Treasury		11/10/2025	20,000,000.00	17,474,200.00	17,872,453.70	0.625	AA	3.626	1,414	05/15/2030
91282CNX5	7824	U.S. Treasury		11/17/2025	20,000,000.00	19,566,400.00	19,946,364.30	3.625	AA	3.695	1,522	08/31/2030
912828Z94	7825	U.S. Treasury		11/17/2025	10,000,000.00	9,110,200.00	9,280,529.70	1.500	AA	3.660	1,325	02/15/2030
91282CGJ4	7828	U.S. Treasury		11/24/2025	20,000,000.00	19,550,800.00	19,938,419.72	3.500	AA	3.592	1,310	01/31/2030
912828ZQ6	7831	U.S. Treasury		12/16/2025	20,000,000.00	17,474,200.00	17,833,139.35	0.625	AA	3.680	1,414	05/15/2030
91282CAE1	7832	U.S. Treasury		12/16/2025	20,000,000.00	17,320,400.00	17,684,182.33	0.625	AA	3.707	1,506	08/15/2030
912828Z94	7838	U.S. Treasury		12/19/2025	20,000,000.00	18,220,400.00	18,603,663.49	1.500	AA	3.589	1,325	02/15/2030
912828ZQ6	7841	U.S. Treasury		01/07/2026	20,000,000.00	17,474,200.00	17,836,508.81	0.625	AA	3.672	1,414	05/15/2030
9128286T2	7842	U.S. Treasury		01/07/2026	20,000,000.00	19,043,000.00	19,354,830.72	2.375	AA	3.575	1,049	05/15/2029
91282CNX5	7843	U.S. Treasury		01/07/2026	20,000,000.00	19,566,400.00	19,943,945.20	3.625	AA	3.698	1,522	08/31/2030
91282CGZ8	7844	U.S. Treasury		01/07/2026	10,000,000.00	9,757,800.00	9,943,060.08	3.500	AA	3.661	1,399	04/30/2030

County Pool 2025-2026
Portfolio Management
Portfolio Details - Investments
June 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Treasury Coupon Securities												
91282CNX5	7845	U.S. Treasury		01/21/2026	20,000,000.00	19,566,400.00	19,859,285.09	3.625	AA	3.810	1,522	08/31/2030
91282CHJ3	7846	U.S. Treasury		01/21/2026	20,000,000.00	19,675,000.00	19,966,224.55	3.750	AA	3.796	1,460	06/30/2030
912828YG9	7850	U.S. Treasury		02/06/2026	15,000,000.00	14,918,550.00	14,929,282.80	1.625	AA	3.555	91	09/30/2026
91282CEV9	7855	U.S. Treasury		03/02/2026	20,000,000.00	19,486,800.00	19,904,322.57	3.250	AA	3.419	1,095	06/30/2029
91282CAE1	7856	U.S. Treasury		03/02/2026	20,000,000.00	17,320,400.00	17,831,063.80	0.625	AA	3.485	1,506	08/15/2030
91282CBL4	7857	U.S. Treasury		03/24/2026	20,000,000.00	17,452,400.00	17,642,773.55	1.125	AA	3.952	1,690	02/15/2031
91282CPW5	7858	U.S. Treasury		03/24/2026	20,000,000.00	19,622,600.00	19,814,111.82	3.750	AA	3.974	1,675	01/31/2031
91282CHJ3	7859	U.S. Treasury		03/27/2026	20,000,000.00	19,675,000.00	19,795,205.91	3.750	AA	4.030	1,460	06/30/2030
91282CNX5	7860	U.S. Treasury		03/27/2026	20,000,000.00	19,566,400.00	19,670,766.38	3.625	AA	4.060	1,522	08/31/2030
91282CPW5	7862	U.S. Treasury		04/06/2026	20,000,000.00	19,622,600.00	19,844,692.73	3.750	AA	3.937	1,675	01/31/2031
91282CBL4	7868	U.S. Treasury		04/15/2026	20,000,000.00	17,452,400.00	17,730,904.81	1.125	AA	3.835	1,690	02/15/2031
91282CPW5	7869	U.S. Treasury		04/15/2026	20,000,000.00	19,622,600.00	19,907,382.63	3.750	AA	3.861	1,675	01/31/2031
91282CNG2	7871	U.S. Treasury		05/13/2026	20,000,000.00	19,864,800.00	19,942,592.12	4.000	AA	4.080	1,430	05/31/2030
91282CNX5	7872	U.S. Treasury		05/13/2026	20,000,000.00	19,566,400.00	19,638,210.14	3.625	AA	4.102	1,522	08/31/2030
		Subtotal and Average	**1,526,441,964.68**		**1,570,000,000.00**	**1,503,750,700.00**	**1,513,426,055.45**			**3.846**	**1,000**	
Treasury Discounts -Amortizing												
912797RF6	7812	U.S. Treasury		09/19/2025	15,000,000.00	14,987,850.00	14,988,350.00	3.495	AA	3.623	8	07/09/2026
912797RS8	7822	U.S. Treasury		11/17/2025	10,000,000.00	9,935,000.00	9,937,688.89	3.505	AA	3.632	64	09/03/2026
912797RG4	7823	U.S. Treasury		11/17/2025	10,000,000.00	9,963,900.00	9,964,700.00	3.530	AA	3.653	36	08/06/2026
912797RF6	7839	U.S. Treasury		12/19/2025	20,000,000.00	19,983,800.00	19,985,155.56	3.340	AA	3.445	8	07/09/2026
912797RS8	7840	U.S. Treasury		12/19/2025	20,000,000.00	19,870,000.00	19,881,066.67	3.345	AA	3.457	64	09/03/2026
		Subtotal and Average	**74,436,367.36**		**75,000,000.00**	**74,740,550.00**	**74,756,961.12**			**3.537**	**34**	
Federal Agency Coupon - Callables												
3133EM2C5	7392	Federal Farm Credit Bank		08/19/2021	10,000,000.00	9,965,000.00	9,999,346.73	0.710	AA	0.772	40	08/10/2026
3130AN3K4	7382	Federal Home Loan Bank		07/07/2021	5,000,000.00	4,997,650.00	5,000,000.00	1.030	AA	1.030	6	07/07/2026
3130APGT6	7423	Federal Home Loan Bank		11/09/2021	10,000,000.00	9,912,100.00	9,998,365.01	1.150	AA	1.202	119	10/28/2026
3130AQCU5	7454	Federal Home Loan Bank		12/17/2021	15,000,000.00	14,951,250.00	15,000,000.00	1.350	AA	1.350	47	08/17/2026
3130AQCT8	7455	Federal Home Loan Bank		12/17/2021	15,000,000.00	14,983,200.00	15,000,000.00	1.330	AA	1.330	16	07/17/2026
3130AQHZ9	7470	Federal Home Loan Bank		01/25/2022	10,000,000.00	9,860,300.00	10,000,000.00	1.540	AA	1.540	208	01/25/2027
3130AQWC3	7475	Federal Home Loan Bank		02/28/2022	10,000,000.00	9,868,400.00	10,000,000.00	2.050	AA	2.050	238	02/24/2027
3130ARJ51	7504	Federal Home Loan Bank		04/22/2022	10,000,000.00	9,995,100.00	10,000,000.00	3.000	AA	3.001	21	07/22/2026
3134HBLX7	7793	Federal Home Loan Mortgage Co.		04/28/2025	20,000,000.00	19,933,800.00	20,000,000.00	4.210	AA	4.211	1,125	07/30/2029
3136GD2X0	7864	Federal Nat'l Mtg. Assoc.		04/14/2026	20,000,000.00	19,769,400.00	20,000,000.00	4.200	AA	3.744	1,748	04/14/2031
3136GD2W2	7865	Federal Nat'l Mtg. Assoc.		04/15/2026	20,000,000.00	19,742,000.00	20,000,000.00	4.380	AA	4.380	1,749	04/15/2031

County Pool 2025-2026
Portfolio Management
Portfolio Details - Investments
June 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon - Callables												
3136GDCB7	7877	Federal Nat'l Mtg. Assoc.		05/15/2026	20,000,000.00	19,869,000.00	20,000,000.00	4.530	AA	4.529	1,629	12/16/2030
3136GDCC5	7878	Federal Nat'l Mtg. Assoc.		05/15/2026	20,000,000.00	19,877,600.00	20,000,000.00	4.400	AA	4.399	1,629	12/16/2030
		Subtotal and Average	**186,314,863.66**		**185,000,000.00**	**183,724,800.00**	**184,997,711.74**			**3.007**	**891**	
State of California Notes												
13063ETP1	7870	California St		04/24/2026	25,000,000.00	24,598,500.00	25,000,000.00	4.050	AA	4.050	1,735	04/01/2031
		Subtotal and Average	**18,681,318.68**		**25,000,000.00**	**24,598,500.00**	**25,000,000.00**			**4.050**	**1,735**	
		Total and Average	**2,743,860,726.76**		**2,704,764,594.00**	**2,632,625,444.00**	**2,645,615,912.97**			**3.742**	**771**	