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

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 17, 2026

NEW ISSUE—FULL BOOK-ENTRY

RATING: "AAA" (Fitch)
"Aa1" (Moody's)
See "MISCELLANEOUS—Rating" herein

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

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

$75,000,000*
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
ELECTION OF 2024 GENERAL OBLIGATION BONDS
SERIES B

Dated: Date of Delivery **Due: As shown on the following page**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The $75,000,000* Manhattan Beach Unified School District (Los Angeles County, California) Election of 2024 General Obligation Bonds, Series B (the "Series B Bonds") were authorized at an election of the registered voters of the Manhattan Beach Unified School District (the "District") held on November 5, 2024, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $200,000,000 principal amount of general obligation bonds of the District (the "2024 Authorization"). The Series B Bonds represent the second series of bonds issued under the 2024 Authorization and are being issued to (i) finance improvements to and the acquisition of equipment for various schools within the District as authorized by the voters at the November 5, 2024 election, (ii) pay a portion of the interest due on the Series B Bonds through March 1, 2029*, and (iii) pay the costs of issuing the Series B Bonds. See "INTRODUCTION—Purpose of Issue" and "THE SERIES B BONDS—Application and Investment of Series B Bond Proceeds and Tax Revenues" herein.

The Series B Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District and from other amounts on deposit in the Debt Service Fund (defined herein). The Board of Supervisors of Los Angeles County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the Series B Bonds when due. The District has other outstanding general obligation bonds which are secured by and payable from *ad valorem* taxes levied on taxable property within the District. See "SECURITY FOR THE SERIES B BONDS" and "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—*Ad Valorem* Property Taxation" herein.

The Series B Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Payments of principal of and interest on the Series B Bonds will be paid by U.S. Bank Trust Company, National Association, as agent of the Treasurer and Tax Collector of Los Angeles County, as the designated paying agent, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the beneficial owners of the Series B Bonds. See "THE SERIES B BONDS—Book-Entry Only System" herein.

The Series B Bonds will be dated their date of delivery. Interest on the Series B Bonds accrues from their dated date and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2027.

The Series B Bonds are subject to redemption prior to maturity. See "THE SERIES B BONDS—Redemption of Bonds" herein.

THE SERIES B BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE SOLELY FROM AMOUNTS IN THE DEBT SERVICE FUND, CONSISTING OF CAPITALIZED INTEREST FUNDED WITH SERIES B BOND PROCEEDS AND AD VALOREM PROPERTY TAXES LEVIED AND COLLECTED BY THE COUNTY OF LOS ANGELES ON TAXABLE PROPERTY WITHIN THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OF LOS ANGELES. NO PART OF ANY FUND OF THE COUNTY OF LOS ANGELES IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES B BONDS.

MATURITY SCHEDULE
(See Following Page)

The Series B Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth LLP, Disclosure Counsel and for the Underwriter by its counsel, Nixon Peabody LLP, Los Angeles, California. The Series B Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about _____, 2026.

RAYMOND JAMES

Dated: _____, 2026

* *Preliminary, subject to change.*

MATURITY SCHEDULE

BASE CUSIP[†] NO. _____

$75,000,000[*]
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
ELECTION OF 2024 GENERAL OBLIGATION BONDS
SERIES B

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

$_____, ___% Term Bonds due September 1, ____, Yield: _____% CUSIP[†] ___

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Series B Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series B Bonds.

[*] Preliminary, subject to change

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 herein. If given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement:

"The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, 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 information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein since the date hereof. This Official Statement is being submitted in connection with the sale of the Series B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "THE DISTRICT" and "DISTRICT FINANCIAL MATTERS" herein.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. While the District has agreed to provide certain on-going financial and operating data on an annual basis, it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change. See "CONTINUING DISCLOSURE" and Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

All information material to the making of an informed investment decision with respect to the Series B Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

THE UNDERWRITER MAY OFFER AND SELL THE SERIES B BONDS DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

BOARD OF TRUSTEES

Tina Shivpuri, *President*
Jen Dohner, *Vice-President*
Cathey Graves, *Clerk*
Jen Fenton, *Member*
Wysh Weinstein, *Member*

DISTRICT ADMINISTRATION

Dr. Kim Linz, *Superintendent*
Dr. Dawnalyn Murakawa-Leopard, *Deputy Superintendent*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

Municipal Advisor
Montague DeRose and Associates, LLC
Westlake Village, California

Underwriter
Raymond James & Associates, Inc.
Los Angeles, California

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

TABLE OF CONTENTS

INTRODUCTION 1
The District 1
Purpose of Issue 1
Sources of Payment for the Series B Bonds 2
Description of the Series B Bonds 2
Authority for Issuance of the Series B Bonds 2
Offering and Delivery of the Series B Bonds 2
Continuing Disclosure 3
Forward Looking Statements 3
Professionals Involved in the Offering 3
Other Information 3
THE SERIES B BONDS 4
Authority for Issuance 4
Security and Sources of Payment 4
Description of the Series B Bonds 5
Paying Agent 5
Application and Investment of Series B Bond Proceeds and Tax Revenues 5
Redemption of Bonds 6
Selection of Series B Bonds for Redemption 7
Notice of and Effect of Redemption of the Series B Bonds 7
Book-Entry Only System 8
Defeasance 8
Supplemental Resolutions 9
Unclaimed Moneys 10
Sources and Uses of Funds 10
DEBT SERVICE SCHEDULE 11
SECURITY FOR THE SERIES B BONDS 12
TAX BASE FOR REPAYMENT OF THE SERIES B BONDS 15
Ad Valorem Property Taxation 15
Historical Data Concerning District Tax Base 17
Tax Levies and Delinquencies 18
Tax Rates 18
Largest Taxpayers 19
THE DISTRICT 21
Introduction 21
Board of Trustees 22
Superintendent and Administrative Personnel 22
Employee Relations 22
Retirement Systems 23
Post-Employment Benefits 34
Insurance 35
Cybersecurity 35
DISTRICT FINANCIAL MATTERS 36
Accounting Practices 36
District Budget 36
State Funding of Education 38
Historical General Fund Financial Information 42
Current Financial Condition 46
Revenue Sources 48
State Apportionment Funding 48
Federal Revenues 48
Other State Sources 49
Other Local Sources 49
Capital Projects Funds 49
DISTRICT DEBT STRUCTURE 49
Long-Term Debt 49
Short-Term Debt 50
Direct and Overlapping Debt 50
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS 51
Article XIIIA 51
Unitary Property 52
Article XIIIB 52
Articles XIIIC and XIIID 53
Proposition 46 55
Proposition 39 55
Propositions 98 and 111 55
Proposition 1A and Proposition 22 56
Proposition 30 and Proposition 55 57
Proposition 2 58
California Senate Bill 222 59
Proposition 19 59
Proposition 2 (2024) 59
Jarvis v. Connell 60
Future Initiatives and Propositions 60
STATE OF CALIFORNIA FISCAL ISSUES 60
General Overview 60
2026-27 State Budget 61
Future Actions and Events 65
LEGAL MATTERS 65
Tax Matters 65
Legality for Investment in California 67
No Litigation 67
CONTINUING DISCLOSURE 67
MISCELLANEOUS 67
Rating 67
Municipal Advisor 68
Underwriting 68
Audited Financial Statements 68
Financial Interests 68
ADDITIONAL INFORMATION 69

APPENDIX A FORM OF OPINION OF BOND COUNSEL FOR THE SERIES B BONDS A-1
APPENDIX B DISTRICT'S 2024-25 AUDITED FINANCIAL STATEMENTS B-1
APPENDIX C FORM OF CONTINUING DISCLOSURE CERTIFICATE C-1
APPENDIX D CITY OF MANHATTAN BEACH AND COUNTY OF LOS ANGELES GENERAL AND ECONOMIC DATA D-1
APPENDIX E BOOK-ENTRY ONLY SYSTEM E-1
APPENDIX F LOS ANGELES COUNTY TREASURER'S STATEMENT OF INVESTMENT POLICY F-1
APPENDIX G COUNTY INVESTMENT POOL MONTHLY REPORT G-1

$75,000,000[*]
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
ELECTION OF 2024 GENERAL OBLIGATION BONDS
SERIES B

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the Manhattan Beach Unified School District (the "District"), located in Los Angeles County, California, to provide information concerning the $75,000,000[*] Manhattan Beach Unified School District, Los Angeles County, California, Election of 2024 General Obligation Bonds, Series B (the "Series B Bonds").

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

The District

The District was established in 1912, unified in 1993, and consists of an area comprising approximately 3.88 square miles in the southwestern portion of Los Angeles County (the "County"). Its boundaries are coterminous with the City of Manhattan Beach. The District operates five elementary schools, one middle school, one high school and one preschool. For fiscal year 2026-27, the District has budgeted for an average daily attendance ("ADA") of approximately 5,539 students, and taxable property within the District for such fiscal year has an assessed valuation of $29,073,568,771.

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. The management and policies of the District are administered by a Board appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. See "THE DISTRICT."

Purpose of Issue

The Series B Bonds were approved by the voters of the District at the November 5, 2024 election. At the election, the voters approved the issuance of $200,000,000 of general obligation bonds (the "2024 Authorization"). The Series B Bonds represent the second series to be issued pursuant to the 2024 Authorization. Upon issuance of the Series B Bonds, $75,000,000[*] of general obligation bonds will remain unissued under the 2024 Authorization. Proceeds from the Series B Bonds will be used to (i) finance improvements to, and the acquisition of equipment for, various schools within the District as authorized by the voters at the November 5, 2024 election (the "Project"), (ii) pay a portion of the interest due on the Series B Bonds through March 1, 2029[*], and (iii) pay the costs of issuing the Series B Bonds. See "THE SERIES B BONDS—Application and Investment of Series B Bond Proceeds and Tax Revenues" and "—Sources and Uses of Funds" herein.

[*] *Preliminary, subject to change.*

Sources of Payment for the Series B Bonds

Ad Valorem Taxes. The Series B Bonds are general obligation bonds of the District. The Board of Supervisors of the County has the power and is obligated annually to levy *ad valorem* taxes for the payment of the Series B Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE SERIES B BONDS" herein.

THE SERIES B BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE SOLELY FROM AMOUNTS IN THE DEBT SERVICE FUND CONSISTING OF CAPITALIZED INTEREST FUNDED WITH SERIES B BOND PROCEEDS AND AD VALOREM PROPERTY TAXES LEVIED AND COLLECTED BY THE COUNTY ON TAXABLE PROPERTY WITHIN THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES B BONDS.

Description of the Series B Bonds

Maturity Dates. The Series B Bonds will mature on September 1 in the years and in the principal amounts set forth on the page following the cover page of this Official Statement.

Payment Dates. The Series B Bonds will be dated their date of delivery. Interest on the Series B Bonds accrues from their dated date at the rates set forth on the pages following the cover page of this Official Statement, and is payable semiannually on each March 1 and September 1, commencing March 1, 2027 (each, a "Bond Payment Date"). The principal amount of the Series B Bonds is payable at maturity upon surrender of the applicable Series B Bond for payment.

Redemption. The Series B Bonds are subject to redemption prior to maturity. See "THE SERIES B BONDS—Redemption of Bonds" herein.

Registration. The Series B 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 Series B Bonds (the "Beneficial Owners") in authorized denominations, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through entities eligible to participate in DTC's book-entry system ("DTC Participants") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series B Bonds. See "THE SERIES B BONDS—Book-Entry Only System" and Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Denominations. The Series B Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of $5,000 or any integral multiple thereof.

Authority for Issuance of the Series B Bonds

The Series B Bonds are being issued pursuant to certain provisions of the State of California Government Code, as well as other applicable law, and pursuant to resolutions adopted by the Board of Trustees of the District and the Board of Supervisors of the County of Los Angeles. See "THE SERIES B BONDS—Authority for Issuance" herein.

Offering and Delivery of the Series B Bonds

The Series B Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Series B Bonds will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2026.

Continuing Disclosure

The District will enter into a Continuing Disclosure Certificate in connection with the Series B Bonds in which it will covenant for the benefit of the Underwriter, the bondholders and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, as amended. The specific nature of the information to be made available and the enumerated events are summarized below under the caption "CONTINUING DISCLOSURE" and set forth in APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Series B Bonds. Montague DeRose and Associates, LLC, Westlake Village, California is serving as Municipal Advisor to the District in connection with the issuance of the Series B Bonds. Nixon Peabody LLP, Los Angeles, California is serving as counsel to the Underwriter. The fees paid to these consultants are contingent upon the sale and delivery of the Series B Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Series B Bonds are available from the Manhattan Beach Unified School District, 325 S Peck Ave, Manhattan Beach, California 90266, telephone: (310) 318-7345. The District may impose a charge for copying, mailing and handling.

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

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

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

All terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Resolution (as defined below).

THE SERIES B BONDS

Authority for Issuance

The Series B Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code commencing with Section 53506 (the "Act") and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District on September 16, 2026 (the "Bond Resolution") and a resolution adopted by the Board of Supervisors of the County on October 20, 2026. Pursuant to its resolution, the Board of Supervisors of the County has agreed that it will levy *ad valorem* taxes for the payment of the principal of and interest on the Series B Bonds. See "SECURITY FOR THE SERIES B BONDS" herein.

Pursuant to the 2024 Authorization, the District is authorized to issue $200,000,000 of general obligation bonds. Upon the issuance of the Series B Bonds, $75,000,000* of the general obligation bonds of the 2024 Authorization will remain unissued.

Security and Sources of Payment

The Series B Bonds are general obligation bonds of the District payable solely from amounts in the Manhattan Beach Unified School District Election of 2024 General Obligation Bonds Debt Service Fund, Series B (the "Debt Service Fund") established under the Bond Resolution consisting of *ad valorem* property taxes and a portion of the proceeds of the Series B Bonds deposited therein. Such taxes will be levied annually by the County in addition to all other taxes during the period that the Series B Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series B Bonds when due. See "SECURITY FOR THE SERIES B BONDS" and "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS." Such taxes, when collected, will be placed by the County in the Debt Service Fund, which fund is segregated and maintained by the County. The Debt Service Fund is irrevocably pledged for the payment of principal of and interest on the Series B Bonds when due. Although the County is obligated to levy *ad valorem* taxes for the payment of the Series B Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series B Bonds, the Series B Bonds are not a debt of the County.

* *Preliminary, subject to change.*

Pursuant to Section 53515 of the State of California Government Code, enacted by Senate Bill 222 (Stats. 2015, Chapter 78), the Series B Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. Section 53515 provides that: (i) the lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Series B Bonds are executed and delivered, and (ii) the revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series B Bonds as such principal and interest becomes due and payable, will be transferred to the Paying Agent. The Paying Agent will, in turn, transfer the funds to DTC, which is to distribute the principal and interest payments due on the Series B Bonds to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Series B Bonds. See "—Book-Entry Only System."

Description of the Series B Bonds

The Series B Bonds will be dated their date of delivery. Interest on the Series B Bonds accrues from their dated date, and is payable semiannually on each Bond Payment Date, commencing March 1, 2027 at the annual interest rates shown on the pages following the cover page of this Official Statement. The Series B Bonds are issuable in denominations of $5,000 or any integral multiple thereof. Interest will accrue on the Series B Bonds on the basis of a 360-day year comprised of twelve 30 day months.

Payment of interest on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date. For purposes of the foregoing, "Record Date" means the close of business on the fifteenth (15th) day of the month preceding each Bond Payment Date.

Paying Agent

U.S. Bank Trust Company, National Association, will act as agent of the Treasurer and Tax Collector of Los Angeles County, as the designated paying agent, authenticating agent and transfer agent (the "Paying Agent") for the Series B Bonds.

If the Paying Agent resigns or is removed by the District, a successor Paying Agent will be appointed by the District. Any successor Paying Agent selected by the District, other than the Treasurer, may be any bank, trust company, national banking association or other financial institution doing business in the State of California and with at least $100,000,000 in net assets.

Application and Investment of Series B Bond Proceeds and Tax Revenues

The Series B Bonds are being issued to: (i) finance the Project, (ii) pay a portion of the interest due on the Series B Bonds through March 1, 2029[*], and (iii) pay the costs of issuing the Series B Bonds.

A portion of the proceeds from the sale of the Series B Bonds paid to the District by the Underwriter shall be deposited in the Manhattan Beach Unified School District Election of 2024 General Obligation Bonds Building Fund, Series B (the "Building Fund") established under the Bond Resolution and shall be kept separate and distinct from all other District and County funds. Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund. The proceeds in the Building Fund shall be disbursed as directed by the District to pay for the Project.

[*] *Preliminary, subject to change.*

In accordance with the Bond Resolution, on the date of delivery of the Series B Bonds, a portion of the amount to be deposited to the Building Fund will be transferred to U.S. Bank Trust Company, National Association, for deposit to a Costs of Issuance Fund to pay the costs of issuing the Series B Bonds.

Any original issue premium received by the District from the sale of the Series B Bonds and the *ad valorem* property taxes securing the payment of the Series B Bonds, when received, shall be kept separate and apart in the Debt Service Fund established under the Bond Resolution and used only for payments of principal and interest on the Series B Bonds. Interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal of and interest on the Series B Bonds when due.

Any excess proceeds of the Series B Bonds not needed for the purpose for which the Series B Bonds are issued shall be transferred from the Building Fund to the Debt Service Fund and applied to the payment of principal of and interest on the Series B Bonds. If after payment in full of the Series B Bonds there remains excess proceeds, any such excess amounts shall be transferred to the District's General Fund.

Investment of Bond Proceeds. Monies held in the Building Fund and the Debt Service Fund established under the Bond Resolution may be invested in any investments which are lawful investments for school districts under the laws of the State of California.

It is anticipated that monies in the Building Fund and the Debt Service Fund will be invested in the Los Angeles County Treasury Pool. See APPENDICES F and G hereto.

Redemption of Bonds[*]

Optional Redemption. The Series B Bonds maturing on or before September 1, 20__ are not subject to redemption. The Series B Bonds maturing on and after September 1, 20__ may be redeemed before maturity at the option of the District on any date on and after September 1, 20__ as a whole, or in part by lot from such maturity or maturities as are selected by the District, at a redemption price equal to the principal amount of the Series B Bonds selected for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series B Bonds maturing on September 1, _____ are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, _____ at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series B Bonds to be so redeemed and the dates therefor and the final principal payment date and amount are set forth in the following table:

Redemption Date (September 1)	***Principal Amount***
†	

(†) Final Maturity.

[*] *Preliminary, subject to change.*

If any of the Series B Bonds maturing on September 1, _____ shall have been optionally redeemed, in part, then the mandatory sinking fund payments for such Series B Bonds shall be reduced as directed in writing by the District or in the absence of written direction then, as nearly as practicable, on a pro rata basis in increments of $5,000.

Selection of Series B Bonds for Redemption

Whenever provision is made in the Bond Resolution for the optional redemption of Series B Bonds outstanding thereunder and less than all Series B Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select one or more maturities of Series B Bonds for redemption in accordance with such written instructions. Within a maturity, the Paying Agent shall select Series B Bonds for redemption by lot in such manner as the Paying Agent determines. The portion of any Series B Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof.

Notice of and Effect of Redemption of the Series B Bonds

When redemption is authorized or required pursuant to the Bond Resolution, the Paying Agent shall give notice of the redemption of the Series B Bonds at least 20 but not more than 60 days prior to the redemption date (a) so long as the Series B Bonds are registered in the name of DTC or its nominee, in such manner as complies with the requirements of DTC, and (b) if the Series B Bonds are no longer held in book-entry form, by first class mail, postage prepaid to each Owner of the Series B Bonds at the addresses appearing on the bond register. Neither failure to receive any redemption notice nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the Series B Bonds.

Each redemption notice shall specify: (a) the Series B Bonds or designated portions thereof (in the case of redemption of the Series B Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series B Bonds to be redeemed, (f) the numbers of the Series B Bonds to be redeemed in whole or in part and, in the case of any Series B Bond to be redeemed in part only, the Principal Amount of such Series B Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Series B Bond to be redeemed in whole or in part. Each redemption notice shall further state that on the specified date there shall become due and payable upon each Series B Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date and that from and after such date, interest with respect thereto shall cease to accrue. Redemption notices (and related notices) may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Series B Bonds.

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

If on a redemption date moneys for the redemption of the Series B Bonds to be redeemed, together with interest accrued to such redemption date, are held by the Paying Agent, and if notice of redemption thereof shall have been given as set forth in the Bond Resolution, then from and after such redemption date, interest with respect to the Series B Bonds to be redeemed shall cease to accrue and become payable. When any Series B Bonds (or portions thereof) which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent and sufficient moneys are held by the Paying Agent or an escrow agent appointed by the District irrevocably in trust for the payment of the redemption price of such Series B Bonds

or portions thereof, then such Series B Bonds shall no longer be deemed outstanding under the Bond Resolution and shall be surrendered to the Paying Agent for cancellation or on the applicable redemption date.

Book-Entry Only System

One fully registered bond without coupons for each maturity of the Series B Bonds will be issued and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series B Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their ownership interest in the Series B Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to DTC Participants for subsequent dispersal to the Beneficial Owners of the Series B Bonds as described herein. See Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Defeasance

All or a portion of the outstanding Series B Bonds may be paid and discharged in any one or more of the following ways:

(1) Cash: by irrevocably depositing with the Paying Agent or an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all the Series B Bonds designated for defeasance, including all principal and interest and premium, if any; or

(2) Government Obligations: by irrevocably depositing with the Paying Agent or an independent escrow agent selected by the District noncallable Government Obligations (as defined below), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with interest to accrue thereon, be fully sufficient to pay all Series B Bonds designated for defeasance, including all principal, interest and premium, if any, at or before their maturity date or redemption date, as applicable.

If a Series B Bond is defeased as described above, then all obligations of the District under the Bond Resolution with respect to such outstanding Series B Bond shall cease and terminate, whether or not such Series B Bond has been surrendered for payment, except only the obligation of the District and the Paying Agent, or an independent escrow agent selected by the District to pay or cause to be paid to the Owners of the Series B Bonds, all sums due thereon from the amounts on deposited pursuant to (1) and (2) above.

In the Bond Resolution, Government Obligations are defined as:

Direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips) or obligations that are unconditionally guaranteed as to principal and interest by the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying direct and general obligations of the United States of America; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying direct and general obligations of the United States of America; and (iii) the underlying direct and general obligations of the United States of America are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated by S&P Global Ratings and Moody's Investors Service in the same rating category as the underlying direct and general obligations of the United States of America.

Supplemental Resolutions

The Bond Resolution and the rights and obligations of the District and of the Owners of the Series B Bonds Outstanding thereunder may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate principal amount of the Series B Bonds then Outstanding under the Bond Resolution, exclusive of any of such Series B Bonds owned by the District; provided, however, that no such modification or amendment shall, without the express consent of the Owner of each Series B Bond affected, reduce the principal amount of any such Series B Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

The Bond Resolution and the rights and obligations of the District and of the Owners of the Series B Bonds Outstanding thereunder may be modified or amended at any time by a supplemental resolution adopted by the District, without the written consent of the Owners:

(1) To add to the covenants and agreements of the District in the Bond Resolution other covenants and agreements to be observed by the District which are not contrary to or inconsistent with such resolution as theretofore in effect;

(2) To add to the limitations and restrictions in the Bond Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the such resolution as theretofore in effect;

(3) To confirm or provide as further assurance any pledge under, and to subject to any lien or pledge created or to be created by, the Bond Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Bond Resolution;

(4) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in the Bond Resolution; or

(5) To amend or supplement the Bond Resolution in any other respect, provided such Supplemental Resolution does not adversely affect the interests of the Owners of the Series B Bonds Outstanding thereunder.

Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Series B Bonds Outstanding under the Bond Resolution and shall not be deemed an infringement of any of the provisions of the Bond Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of the Bond Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

Unclaimed Moneys

Anything in the Bond Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Series B Bonds which remain unclaimed for one year after the date when such Series B Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for one year after the date of deposit of such moneys if deposited with the Paying Agent after said date when such bonds become due and payable, shall be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Series B Bonds shall look only to the District for the payment of such Series B Bonds; provided, however, that before being required to make such payment to the District, the Paying Agent shall, at the expense of District, cause to be mailed to the Owners of all such Series B Bonds at their respective addresses appearing on the registration books, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than 30 days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the District.

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series B Bonds are as follows:

Sources of Funds	
Principal Amount of Series B Bonds	$
[Plus] Original Issue [Premium]	
Total Sources of Funds	$
Uses of Funds	
Building Fund	$
Debt Service Fund[(1)]	
Costs of Issuance[(2)]	
Total Uses of Funds	$

(1) Used to pay a portion of the interest on the Series B Bonds through March 1, 2029*.

(2) All costs of issuance related to the Series B Bonds, together with Underwriter's discount.

* *Preliminary, subject to change.*

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service on the Series B Bonds, assuming there are no optional redemptions of the Series B Bonds:

Period Ending [*] ***(September 1)***	***Series B Bonds Annual Principal Payment*** [*]	***Series B Bonds Annual Interest Payment*** [*]	***Total*** [*]
	$	$	$
Total	$	$	$

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[*] *Preliminary, subject to change*

The following table summarizes the aggregate annual debt service requirements for all of the District's outstanding general obligation bonds, assuming there are no optional redemptions of the Prior General Obligation Bonds (as defined herein) or the Series B Bonds:

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
AGGREGATE ANNUAL DEBT SERVICE

Year Ending (September 1)	*Prior General Obligation Bonds*	*Series B Bonds*	*Total*
2027	$ 25,800,369	$	$
2028	25,321,869		
2029	15,810,519		
2030	16,360,269		
2031	17,029,419		
2032	12,404,319		
2033	12,888,450		
2034	13,375,450		
2035	13,885,550		
2036	14,417,500		
2037	14,969,350		
2038	15,539,850		
2039	16,134,400		
2040	16,753,450		
2041	17,399,400		
2042	17,869,850		
2043	18,561,625		
2044	19,228,625		
2045	20,040,025		
2046	8,551,650		
2047	4,856,250		
2048	--		
2049	--		
2050	--		
2051	--		
Total	$337,198,189	$	$

Source: Municipal Advisor.

SECURITY FOR THE SERIES B BONDS

The Series B Bonds are general obligation bonds of the District payable solely from amounts in the Debt Service Fund consisting of capitalized interest funded with Series B Bond proceeds and *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of the County, on behalf of the District, is empowered and obligated annually to levy *ad valorem* taxes, without limitation of rate or amount, for the payment of the principal and interest on the Series B Bonds due and payable in the next succeeding bond year (less amounts on deposit in the Debt Service Fund established under the Bond Resolution), upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The Bond Resolution pledges as security for the Series B Bonds outstanding thereunder the proceeds from the levy of the *ad valorem* tax which are collected and allocated to the payment of the Series B Bonds. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS" herein.

The District currently has $179,015,467 principal amount (exclusive of accreted interest) of general obligation bonds outstanding (collectively, the "Prior General Obligation Bonds"). Following the issuance of the Series B Bonds, the District will have a total of $254,015,467* principal amount (exclusive of accreted interest) of general obligation bonds outstanding.

The Prior General Obligation Bonds are also payable solely from *ad valorem* property taxes levied on taxable property within the District to repay such bonds. The amount of the annual *ad valorem* tax levied to repay the Series B Bonds and the Prior General Obligation Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series B Bonds and the Prior General Obligation Bonds in any year. Fluctuations in the annual debt service on the Series B Bonds and the Prior General Obligation Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. These factors include a general market decline in real property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the federal government, the State of California (the "State") and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, wildfire, flood or toxic contamination.

The assessed valuation of property in the District is $29,073,568,771 for fiscal year 2026-27, an increase of approximately 65.3% from fiscal year 2017-18. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—Historical Data Concerning District Tax Base." While the assessed valuation of property in the District has increased over recent years, future declines in real estate values in southern California, natural disasters, the departure of major taxpayers or other factors could result in lower assessed values in the District and in both a higher annual tax rate within the District and a higher level of delinquencies in tax payments. The County has not adopted the Teeter Plan (defined below). As a result, the District's receipt of property taxes is subject to delinquencies. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—*Ad Valorem* Property Taxation—*No Teeter Plan*."

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

Seismic Events. The District is located in a seismically active region. Active earthquake faults include the Newport-Inglewood Fault that runs near the District. 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.

* *Preliminary, subject to change*

Drought. California has experienced cyclical severe drought conditions over the past several years. Most recently, in April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. These drought emergencies were eventually expanded to include all California counties by October of 2021. Among other actions, the Governor also issued Executive Order N0-27-22, which directed the State Water Control Board to issue drought declarations, including a recommendation to have urban water suppliers initiate water shortage contingency plans. Significant snowfall and precipitation in the State commencing in January 2023 have generally eliminated most of the State's drought conditions. In addition, on March 24, 2023, the Governor rescinded most of his emergency drought declarations, including Executive Order N0-27-22. However, the District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future.

Wildfires. Major wildfires have occurred in recent years in different regions of the State, including Los Angeles County. The District has not sustained any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the County and the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District.

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, 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 in unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Public Health Emergencies. From January 30, 2020 to May 5, 2023, the World Health Organization declared a public health emergency over the global outbreak of the disease known as COVID-19 ("COVID-19"), an upper respiratory tract illness. The COVID-19 pandemic greatly impacted the economic conditions within the United States of America. There could be future COVID-19 outbreaks or other similar 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.

It is not possible for the District to make any representation regarding the extent to which natural disasters, including earthquakes, drought, wildfires and public health emergencies could cause reduced economic activity within the boundaries of the District or the extent to which natural disasters may impact the value of taxable property within the District.

THE SERIES B BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES B BONDS.

TAX BASE FOR REPAYMENT OF THE SERIES B BONDS

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

Ad Valorem Property Taxation

The collection of property taxes is significant to the District and the owners of the Series B Bonds in two respects. First, amounts allocated to the District from the general 1% *ad valorem* property tax levy, which is levied in accordance with Article XIIIA of the California Constitution and its implementing legislation, funds the District's budget which is used to operate the District's educational program. See "DISTRICT FINANCIAL MATTERS—Revenue Sources" below. Second, the Board of Supervisors of the County will levy and collect *ad valorem* taxes on all taxable parcels within the District which *ad valorem* taxes are pledged specifically to the repayment of the Series B Bonds and the Prior General Obligation Bonds. All general obligation bonds of the District are issued on parity with one another and with the Series B Bonds. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Series B Bonds and the Prior General Obligation Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in fiscal year 1978-79, Article XIIIA and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of successor agencies to prior redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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

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

District Assessed Valuation. Both the general 1% *ad valorem* property tax levy and the additional *ad valorem* levy for the Series B Bonds and the Prior General Obligation Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

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

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.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or filed in the future will not significantly reduce the assessed valuation of property within the District.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other state-assessed property is allocated to the counties by

the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

No Teeter Plan. Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the applicable county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies and the County will pay to the District only actual amounts collected.

The District is a member of the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables related to the District's share of the 1% general *ad valorem* property tax levy (not the additional *ad valorem* property tax levy for debt service on the District's general obligation bonds) from the District. CSDTFA has agreed to purchase the District's delinquent *ad valorem* tax receivables related to the 1% general *ad valorem* property tax levy attributable to Fiscal Years 2027-28 and 2028-29 from the District at a purchase price equal to 110% of such receivables. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA.

Historical Data Concerning District Tax Base

The information provided in Tables 1 through 5 below has been provided by California Municipal Statistics, Inc., an independent consulting firm. Neither the District nor the Underwriter has independently verified this information and neither guarantees its accuracy.

Property within the District has a total assessed valuation for fiscal year 2026-27 of $29,073,568,771. Table 1 below provides a ten-year history of assessed valuations in the District.

TABLE 1
ASSESSED VALUATIONS
Fiscal Year 2017-18 through 2026-27
Manhattan Beach Unified School District

	Local Secured	*Unsecured*	*Total*
2017-18	$17,312,304,271	$280,014,996	$17,592,319,267
2018-19	18,378,047,880	298,552,478	18,676,600,358
2019-20	19,508,213,309	314,957,785	19,823,171,094
2020-21	20,919,183,076	237,083,220	21,236,266,296
2021-22	21,840,276,126	347,170,632	22,187,446,758
2022-23	23,335,611,825	346,500,438	23,682,112,263
2023-24	24,583,311,004	355,714,029	24,939,025,033
2024-25	25,832,123,084	395,197,954	26,227,321,038
2025-26	27,238,402,510	375,395,686	27,613,798,196
2026-27	28,677,326,552	396,242,219	29,073,568,771

Sources: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Table 2A summarizes the annual secured base property tax levy for general purposes within the District and the amount delinquent as of June 30 for fiscal years 2021-22 through 2025-26. Table 2B summarizes the secured tax levy made within the District for the District's Prior General Obligation Bonds and the amount delinquent as of June 30 for fiscal years 2021-2022 through 2025-26. The 1% general *ad valorem* taxes fund a portion of the District's educational operations and are not pledged to the repayment of the Series B Bonds. The County has not adopted the Teeter Plan. As a result, the District's receipt of property taxes is subject to delinquencies and the County will pay to the District only the actual amounts collected. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—*Ad Valorem* Property Taxation—*No Teeter Plan*."

TABLE 2A
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Secured Tax Charges for General Purposes and Delinquencies

	Secured Tax Charges Levied[(1)]	*Delinquent Secured Taxes*	*% Delinquent June 30*[(2)]
2021-22	$34,672,667	$ 543,429	1.57%
2022-23	37,010,267	579,416	1.57
2023-24	39,289,631	691,626	1.76
2024-25	41,486,956	1,041,596	2.51
2025-26	43,760,538	979,934	2.24

(1) 1% base property tax apportionment to the District. Excludes redevelopment agency/successor agency impounds.
(2) Reflects a County-wide delinquency rate.
Source: California Municipal Statistics, Inc.

TABLE 2B
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
for General Obligation Bonds

	Secured Tax Charges Levied[(1)]	*Delinquent Secured Taxes*	*% Delinquent June 30*
2021-22	$19,458,684	$225,017	1.16%
2022-23	20,653,440	259,742	1.26
2023-24	21,860,332	268,555	1.23
2024-25	23,420,592	285,347	1.22
2025-26	21,913,876	281,439	1.28

(1) Reflects the debt service levy for the District's Prior General Obligation Bonds.
Source: California Municipal Statistics, Inc.

Tax Rates

There are eleven tax rate areas in the District. Table 3 summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area within the District for fiscal years 2021-22 through 2025-26 expressed as a percentage of the assessed value of the property upon which such taxes were levied.

TABLE 3
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Summary of *Ad Valorem* Tax Rates
Typical Total Tax Rates (TRA 6174)[1]

	2021-22	*2022-23*	*2023-24*	*2024-25*	*2025-26*
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Metropolitan Water District	0.088419	0.088408	0.087959	0.089885	0.079571
El Camino Community College District	0.022639	0.022989	0.021160	0.021012	0.021788
Manhattan Beach Unified School District	0.003500	0.003500	0.003500	0.007000	0.007000
Total	1.114558%	1.114897%	1.112619%	1.117897%	1.108359%

(1) Fiscal year 2025-26 assessed valuation of TRA 6174 is $24,419,373,619 which is 89.65% of the District's total assessed valuation for such fiscal year.

Source: California Municipal Statistics, Inc.

Largest Taxpayers

Table 4 below lists the 20 largest secured property taxpayers within the District measured by assessed valuation for the 2026-27 fiscal year.

TABLE 4
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Twenty Largest 2026-27 Local Secured Property Taxpayers

	Property Owner	*Primary Land Use*	*2026-27 Assessed Valuation*	*% of Total[1]*
1.	MBS Media Campus LLC	Industrial	$ 379,582,094	1.32
2.	Rreef America REIT II Corp. BBB	Shopping Center	325,632,775	1.14
3.	Northrop Grumman Systems Corp.	Industrial	218,805,689	0.76
4.	Onni Manhattan Towers LP	Office Building	121,104,865	0.42
5.	Manhattan Beach Hotel Owner LLC	Hotel	119,539,892	0.42
6.	Manhattan Beach Suites LLC	Hotel	70,988,450	0.25
7.	Coastal Market Plaza LLC	Shopping Center	59,189,197	0.21
8.	Bay Club Manhattan Beach LLC	Country Club	52,276,492	0.18
9.	Ponderosa Belamar LLC	Hotel	45,647,317	0.16
10.	Azmil K. Khalid	Residential	45,351,757	0.16
11.	Michael Greenberg	Residential	43,472,979	0.15
12.	St. Paul Fire and Marine Insurance Company	Shopping Center	39,188,517	0.14
13.	Jason A. Greenberg	Residential	38,592,428	0.13
14.	Skechers USA Inc.	Office Building	37,926,146	0.13
15.	Eric and Joanna Jonsson	Residential	35,927,498	0.13
16.	Duncan Investments LLC	Office Building	33,553,999	0.12
17.	1500 Rosecrans Property Owner	Office Building	33,148,270	0.12
18.	Eric M. Sanders	Residential	32,608,869	0.11
19.	Sepulveda Blvd Properties LLC	Office Building	31,841,471	0.11
20.	Joan H. Jones	Residential	31,718,582	0.11
			$ 1,796,097,287	6.26%

(1) 2026-27 Local Secured Assessed Valuation (including utility property but excluding tax-exempt property): $28,677,326,552.

Source: California Municipal Statistics, Inc.

Table 5 describes the District's land use by type in fiscal year 2026-27, which reflects that 90.45% of the total assessed valuation is for residential property and 9.55% for nonresidential property.

TABLE 5
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
2026-27 Assessed Valuation and Parcels by Land Use

	2026-27 Assessed Valuation [(1)]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Commercial	$ 1,984,365,635	6.92%	427	3.22%
Vacant Commercial	8,074,520	0.03	35	0.26
Industrial	603,153,789	2.10	11	0.08
Vacant Industrial	448,639	0.00	8	0.06
Recreational	59,646,849	0.21	10	0.08
Government/Social/Institutional	47,963,817	0.17	147	1.11
Miscellaneous	35,789,948	0.12	19	0.14
Subtotal Non-Residential	$ 2,739,443,197	9.55%	657	4.96%
Residential:				
Single Family Residence	$ 19,974,799,320	69.65%	9,331	70.39%
Condominium/Townhouse	3,031,444,641	10.57	1,740	13.13
2-4 Residential Units	2,354,741,711	8.21	1,344	10.14
5+ Residential Units/Apartments	277,112,729	0.97	74	0.56
Vacant Residential	299,784,954	1.05	110	0.83
Subtotal Residential	$ 25,937,883,355	90.45%	12,599	95.04%
Total	$ 28,677,326,552	100.00%	13,256	100.00%

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

Assessed Valuation Per Parcel of Single Family Homes

Table 6 below shows the number of parcels with single family homes within certain ranges of assessed valuation in the District for fiscal year 2026-27.

Table 6
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Secured Assessed Valuation per Parcel of Single Family Homes
Fiscal Year 2026-27

	No. of Parcels	*2026-27 Secured Assessed Valuation*	*Average Secured Assessed Valuation*	*Median Secured Assessed Valuation*
Single Family Residential	9,331	$19,974,799,320	$2,140,692	$1,630,082
Condominiums/Townhomes	1,740	3,031,444,641	1,742,210	1,409,934
Total	11,071	$23,006,243,961	$2,078,064	$1,575,887

2026-27 Secured Assessed Valuation	*No. of Parcels* [1]	*% of Total*	*Cumulative % of Total*	*Total Valuation*	*% of Total*	*Cumulative % of Total*
$0 - $199,999	833	7.52%	7.52%	$ 110,551,007	0.481%	0.481%
$200,000 - $399,999	659	5.952	13.477	195,332,820	0.849	1.330
$400,000 - $599,999	686	6.196	19.673	346,506,462	1.506	2.836
$600,000 - $799,999	714	6.449	26.122	499,969,532	2.173	5.009
$800,000 - $999,999	766	6.919	33.041	691,052,841	3.004	8.013
$1,000,000 - $1,199,999	743	6.711	39.753	816,344,534	3.548	11.561
$1,200,000 - $1,399,999	652	5.889	45.642	843,487,812	3.666	15.227
$1,400,000 - $1,599,999	544	4.914	50.556	816,106,404	3.547	18.775
$1,600,000 - $1,799,999	541	4.887	55.442	921,165,994	4.004	22.779
$1,800,000 - $1,999,999	523	4.724	60.166	993,448,744	4.318	27.097
$2,000,000 - $2,199,999	533	4.814	64.981	1,118,719,678	4.863	31.96
$2,200,000 - $2,399,999	422	3.812	68.792	972,440,706	4.227	36.186
$2,400,000 - $2,599,999	389	3.514	72.306	971,585,285	4.223	40.41
$2,600,000 - $2,799,999	381	3.441	75.747	1,028,356,220	4.47	44.879
$2,800,000 - $2,999,999	353	3.189	78.936	1,021,542,783	4.44	49.32
$3,000,000 - $3,199,999	254	2.294	81.23	787,040,638	3.421	52.741
$3,200,000 - $3,399,999	262	2.367	83.597	864,710,477	3.759	56.499
$3,400,000 - $3,599,999	235	2.123	85.719	821,680,841	3.572	60.071
$3,600,000 - $3,799,999	193	1.743	87.463	713,746,683	3.102	63.173
$3,800,000 - $3,999,999	162	1.463	88.926	631,241,730	2.744	65.917
$4,000,000 and greater	1,226	11.074	100.000	7,841,212,770	34.083	100.000
	11,071	100.000%		$23,006,243,961	100.000%	

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

THE DISTRICT

Introduction

The District was established in 1912, unified in 1993, and covers an area of approximately 3.88 square miles in the southwestern portion of the County. Its boundaries are coterminous with the City of Manhattan Beach. The District operates five elementary schools, one middle school, one high school and one preschool. For fiscal year 2025-26, the District had an average daily attendance ("ADA") of approximately 5,662 students and it has budgeted for an ADA of 5,539 students for fiscal year 2026-27. The District's teacher/pupil ratio for fiscal year 2025-26 was approximately 1:22.9 for grade levels TK through 3; 1:26.0 for grade levels 4 through 5; 1:27.7 for grade levels 6 through 8 and 1:27.2 for grade levels 9 through 12.

Board of Trustees

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

Table 7
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Board of Trustees

Name	*Term Expires*
Tina Shivpuri, President	December 2026
Jen Dohner, Vice-President	December 2028
Cathey Graves, Clerk	December 2028
Jen Fenton, Member	December 2026
Wysh Weinstein, Member	December 2026

Source: The District.

Superintendent and Administrative Personnel

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

Kim Linz, Ed.D., Superintendent. Dr. Linz became the Superintendent of the District on July 1, 2026. Prior to that date, Dr. Linz previously served the District for ten years as Assistant Principal of Manhattan Beach Middle School, Principal of Pacific Elementary School, and Principal of Manhattan Beach Middle School. Most recently, she served as Chief Business Official for El Segundo Unified School District, where she oversaw Business Services, Facilities, Maintenance and Operations, Child Nutrition, and the successful implementation of the District's $92 million bond program. Dr. Linz earned her Doctorate in Educational Leadership from the University of Southern California, a Master's degree in Teaching from the University of Virginia, and a Bachelor's degree in English from the University of Wisconsin.

Dawnalyn Murakawa-Leopard, Ed.D., Deputy Superintendent. Dr. Murakawa-Leopard has served as Deputy Superintendent of the District since July 1, 2016, prior to which she had served as Assistant Superintendent since October 1, 2014. Before working for the District, Dr. Murakawa-Leopard was a High School Assistant Principal, K-8 Principal, Assistant Superintendent, Human Resources, and Chief Administrative Officer for the Beverly Hills Unified School District. Dr. Murakawa-Leopard holds Bachelor of Arts and Masters' degrees from Stanford University and a Doctorate in Education from University of California, Los Angeles.

Employee Relations

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

The teachers of the District (certificated personnel) are represented by the California Teachers Association—Manhattan Beach Unified Teacher's Association (the "CTA"). The term of the current collective bargaining agreement concluded on June 30, 2025; however, by its terms, the agreement automatically continues in full force and effect. The District and the CTA are currently renegotiating all terms of the agreement for the 2025–26 school year, and a final settlement is pending.

For fiscal year 2025-26, the District employed 329 Full-Time Equivalent (FTE) certificated employees with a total estimated annual payroll of approximately $34,506,498 (excluding statutory taxes and benefits). Table 8 below sets forth the number of certificated employees for each of the last five fiscal years.

Table 8
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Certificated Employees

Fiscal Year	*Total Number of Employees*
2021-22	330.7
2022-23	341.4
2023-24	345.3
2024-25	328.0
2025-26	329.0

Source: The District.

The California School Employees Association (the "CSEA") is the exclusive bargaining agent for non-teaching (classified) personnel. The term of the current collective bargaining agreement concluded on June 30, 2025; however, by its terms, the agreement automatically continues in full force and effect. The District and CSEA are currently renegotiating all terms of the agreement for the 2025–26 school year, and a final settlement is pending.

For fiscal year 2025-26, the District employed 337 FTE classified employees with a total estimated annual payroll of approximately $13,543,912. Table 9 below sets forth the number of classified employees for each of the last five fiscal years.

Table 9
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Classified Employees

Fiscal Year	*Total Number of Employees*
2021-22	335.4
2022-23	329.1
2023-24	339.1
2024-25	337.0
2025-26	337.0

Source: The District.

In addition, for fiscal year 2025-26, the District employed 32 FTE management employees with a total estimated annual payroll of approximately $4,961,564.

Retirement Systems

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

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

District Contributions to STRS and PERS and Net Pension Liability. District employees are members of two retirement systems, as described below. Certificated personnel are generally members of STRS and classified personnel are generally members of PERS.

The District's contribution to STRS was $7,667,689 from its General Fund in fiscal year 2024-25. The District estimates $7,490,921 as its contribution to STRS from its General Fund in fiscal year 2025-26. The District has budgeted $7,346,106 as its contribution to STRS from its General Fund in fiscal year 2026-27. The foregoing amounts do not include on-behalf contributions towards STRS made by the State.

The District's contribution to PERS was $4,229,030 from its General Fund in fiscal year 2024-25. The District estimates $3,864,281 as its contribution to PERS from its General Fund in fiscal year 2025-26. The District has budgeted $4,020,532 as its contribution to PERS from its General Fund in fiscal year 2026-27.

The District's net pension liability was $74,296,815 on June 30, 2025, of which $43,501,783 was attributable to STRS and $30,795,032 to PERS.

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

Pension Plan	*Net Pension Liability*	*Deferred Outflows Related to Pensions*	*Deferred Inflows Related to Pensions*	*Pension Expense*
STRS	$ 43,501,783	$ 17,395,548	$ 6,841,965	$ 5,037,803
PERS	30,795,032	8,729,359	1,845,601	2,186,021
Total	$ 74,296,815	$ 26,124,907	$ 8,687,566	$ 7,223,824

Source: The District.

For additional information regarding the District's participation in STRS and PERS, see Note 11 to the District's Audited Financial Statements for fiscal year 2024-25 attached as Appendix B hereto.

The District can make no representations regarding the future program liabilities of STRS or PERS, or whether the District will be required to make additional contributions to STRS and PERS in the future above those amounts currently projected as described below.

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

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

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

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

Table 10
MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

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

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

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

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

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

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the State's fiscal year 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of $1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020, actuarial valuation. Subsequently, the State's fiscal year 2020-21 Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal years 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal years 2022-23, 2023-24, 2024-25 and 2025-26 and remains 19.1% in fiscal year 2026-27.

The State also contributed to STRS in an amount equal to 10.828% for fiscal year 2025-26. The State's contribution to STRS for fiscal year 2026-27 will remain 10.828%. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, the State is currently required to make an annual General Fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2025, included 1,605 public agencies and 1,351 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The employer contribution rate was 26.81% in fiscal year 2025-26 and is 26.40% in fiscal year 2026-27. Classic Members contribute at a rate established by statute, which was 7% in fiscal year 2025-26, while PEPRA Members contribute at an actuarially determined rate, which was 8% in fiscal year 2025-26. On April 14, 2026, the PERS Board of Administration determined that the total normal cost did not change by more than 1% relative to the basis currently in effect. Therefore the PEPRA Member contribution rate remains 8% in fiscal year 2026-27. See "California Public Employees' Pension Reform Act of 2013" herein.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The table below summarizes information regarding the recent actuarially-determined accrued liability for both STRS and PERS (Schools Pool). Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

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

STRS

Fiscal Year	*Accrued Liability*	*Value of Trust Assets (MVA)[2]*	*Unfunded Liability (MVA)[3]*	*Value of Trust Assets (AVA)[4]*	*Unfunded Liability (AVA)[4][5]*
2016-17	$286,950	$197,718	$103,468	$179,689	$107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,586
2023-24	380,507	321,920	85,532	291,838	88,669
2024-25	395,525	349,525	75,038	313,533	81,992

PERS

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

(1) Amounts may not sum to totals due to rounding.

(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

(3) Unfunded Liability (MVA) is equal to the Accrued Liability column minus the Value of Trust Assets (MVA) column minus the amount deposited in the Supplemental Benefits Maintenance Account reserve, which is not available to provide benefits under the STRS Defined Benefit Program.

(4) Based on actuarial value of assets.

(5) Unfunded Liability (AVA) is equal to the Accrued Liability column minus the Value of Trust Assets (AVA) column.

(6) Effective with the June 30, 2014 valuation, PERS no longer uses an actuarial valuation of assets.

(7) For fiscal year 2020-21, the State made an additional $430 million contribution pursuant to Assembly Bill 84/Senate Bill 111 ("AB 84"), which additional contribution did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

(8) For fiscal year 2021-22, the impact of the additional $330 million State contribution made pursuant to AB 84 was directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

(9) On April 13, 2026, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2026-27 and released certain actuarial information to be incorporated into the June 30, 2025 actuarial valuation to be released in the latter half of 2026.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2007, through June 30, 2022) (the "2024 Experience Analysis"), on January 10, 2024, the STRS Board adopted a new set of actuarial assumptions that were reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2025 (the "2025 STRS Actuarial Valuation"). The payroll growth assumption was decreased to 3.25% from 3.50% due to the projected need for fewer teachers due to projected declining enrollment in the State over the next 20 years, while the following actuarial assumptions remained unchanged since the prior Experience Analysis: (i) long-term investment return (7.0%) and (ii) price inflation (2.75%). Certain demographic assumptions were also updated, including changing the assumed life expectancy of STRS retirees to more closely reflect recent trends. The 2025 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

The 2025 STRS Actuarial Valuation reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately $6.68 billion since the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2024 (the "2024 STRS Actuarial Valuation"), and the funded ratio increased by 2.60% from 76.70% to 79.30% over such time period. The reason for the increase in the funded ratio were the expected year-to-year change due to contributions received to pay down the unfunded actuarial obligation along with other positive factors. STRS funding progress has been helped over the last several years by contribution received that were above the calculated rates. The 2025 STRS Actuarial Valuation projects that such trend will continue to be boosted in the 2025-26 fiscal year by actions taken by the STRS Board during May 2025 meeting to maintain the state and employer contribution rates at levels higher than the rate calculated under STRS' valuation policy. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the "Unallocated UAO"). There was a increase in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from $140 million as of June 30, 2024 to $367 million as of June 30, 2025.

According to the 2025 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 104.9%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

On November 13, 2025, STRS released its 2025 Review of Funding Levels and Risks (the "STRS 2025 Review of Funding Levels and Risks"), which is based on the 2024 STRS Actuarial Valuation. The STRS 2025 Review of Funding Levels and Risks notes that funding projections have improved slightly since the completion of the June 30, 2024 actuarial valuation that was presented to the Board in May 2025 in part due to the 8.5% (time-weighted return) or 9.3% (money-weighted rate of return) investment return earned by STRS in fiscal year 2024-25. The money-weighted rate of return is what impacts funding levels, and the 9.3% money-weighted investment return exceeded the 7% investment return assumption.

The key results and findings noted in the STRS 2025 Review of Funding Levels and Risks were that (i) current contribution rates for the State and employers are still projected to be sufficient to allow both the State and employers to eliminate their share of the STRS unfunded actuarial obligation by 2046 and the contribution rate increase are not expected to be needed for the fiscal year 2026-27; (ii) the State remains well ahead of schedule to eliminate its share of the STRS unfunded actuarial obligation, and the State's share is currently projected to be eliminated in 2027, but the State's share of the unfunded actuarial obligation could quickly increase if STRS were to experience a year in which the investment return is significantly below the

assumed rate of return; (iii) the largest risk facing STRS' ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system's sensitivity to investment experience; (iv) the risk that a negative investment return might impact STRS' ability to reach full funding is expected to increase once the State fully eliminates its share of STRS' unfunded actuarial obligation because of a trigger that will require the State contribution rate to immediately drop to 2.017%, potentially limiting STRS' ability to react to changing conditions and (v) STRS' ability to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term. Uncertain investment markets and a potential decline in the number of teachers could put pressure on STRS' ability to meet some of its long-term actuarial assumptions and impact its ability to reach full funding.

The STRS 2025 Review of Funding Levels and Risks highlighted risks associated with longevity, the size of active membership, a trend amongst charter schools not electing STRS and investment volatility. The STRS 2025 review of Funding Levels and Risks notes that, overall, STRS experienced greater mortality than projected under previous assumptions, but it remains uncertain whether the pandemic will continue to impact mortality in the long term. In January 2024 the STRS Board adopted new mortality assumptions that were slightly lower than the data indicated, essentially not fully reflecting the impact of the pandemic.

In January of 2024, the STRS Board also adopted a change to the rate at which the payroll is assumed to increase, from 3.5% to 3.25%, which reflects STRS assumption that the population of active teachers will decline slowly over time (approximately 5% through 2046). The STRS 2025 Review of Funding Levels and Risks notes that if the active membership declines and the payroll fails to grow as assumed, STRS ability to make progress toward full funding could be at risk. Retirements from active teachers are expected to increase over the next 10 years, approaching some of the levels seen in 2010 when STRS experienced its highest ever number of retirements. Although an increase in retirements does not necessarily impact long term funding, if school districts do not replace teachers who retire in the future, that could result in a reduction in the overall number of teachers and impact STRS ability to reach full funding by 2046. With the anticipated decline in the number of children enrolled in K-12 public schools, the risk that the number of teachers may go down in the future is real and was one of the considerations when the STRS Board lowered the payroll growth assumption. California experienced a significant decline in enrollment in both K-12 public schools and community colleges starting in 2020-21. Total enrollment in K-12 public schools dropped by approximately 310,000, or a 5% reduction, between 2019-20 and 2022-23, while the number of students enrolled at community colleges dropped by 310,000, or a 20% reduction, between the fall of 2019 and the fall of 2021. Since then enrollment has rebounded by almost 200,000 from the fall of 2021 to the fall of 2024. Still, enrollment in community colleges is down more than 7%, or about 115,000, since 2019. In November 2024, the State updated its projection of K-12 enrollments, with the most recent projection anticipating a decline of approximately 10% over the next 10 years and 16% over the next 20 years. If the anticipated reduction in enrolment results in a need for fewer teachers in California, it would impact the number of active teachers who participate in the STRS Defined Benefit Program and ultimately the growth in payroll. One countervailing force that could potentially offset some of the factors listed above would be the reduction of class sizes.

The STRS 2025 Review of Funding Levels and Risks highlights a recent trend among newly created charter schools selecting a retirement system other than STRS. This trend potentially poses a risk to the STRS funding plan if a significant number of charter schools were to elect to not provide retirement benefits through STRS. However, the STRS 2025 Review of Funding Levels and Risks notes that, since COVID-19 pandemic, the growth in number of charter schools has slowed significantly, resulting in only 73 new charters schools. The total number of charter schools has declined from a peak of 1,325 in 2019-20 to a current total of 1,282 active charter schools, of which 88% still offer STRS benefits. Due to such slowdown in the growth of charter schools, the risk to STRS funding is currently minimal.

The STRS 2025 Review of Funding Levels and Risks notes that investment volatility and the risk that STRS may not be able to meet its assumed investment return over the long-term remains the greatest risk facing STRS today. The combination of a maturing system and the decreasing timeframe of the funding plan only serves to increase this risk. STRS 2025 Review of Funding Levels and Risks notes that (i) when

investment returns are below expectations, the unfunded actuarial obligation increases, requiring additional contributions to bridge the gap, however, the funding plan provides the board limited authority to increase contribution rates for both the State and employers; (ii) the State bears the greatest risk when it comes to investment volatility due to rules set in the funding plan that allocate the largest share of the assets to the state which results in its share of the unfunded actuarial obligation being the most sensitive to investment volatility; (iii) the STRS Board has authority to increase the State's contribution by a maximum of 0.5% of payroll each year with no limit on the maximum rate; however the State contribution rate will be reduced to 2.017% of payroll once the State has eliminated its share of the unfunded liability, and (iv) since the funding plan expires in 2046, after which the STRS Board's authority to adjust contribution rates terminates, the time period over which to fund an existing and new unfunded actuarial obligation is declining each year.

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

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

Over the last several years, the PERS Board has lowered the PERS' rate of expected price inflation and its investment rate of return (net of administrative costs) (the "PERS Discount Rate"). Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%. On April 15, 2024, the PERS Board removed the automatic mechanism to reduce the discount rate and added a provision to the Funding Risk Mitigation Policy to bring an agenda item to the PERS Board for discussion if a funding risk mitigation event occurs.

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

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

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and

ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 18, 2025 (the "2025 Experience Study"), the PERS Board approved new actuarial assumptions, including (i) increasing inflation rate from 2.30% to 2.50% per year; (ii) maintaining the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 3.00%; (iii) maintaining the payroll growth rate to 2.80% and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These changes in actuarial assumptions were reflected on the 2024 PERS Actuarial Valuation (as defined below). On November 17, 2025, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund's investment portfolio for the next four years, retained the current 6.8% discount rate and establishing a reference portfolio with a 75/25 mix of equities and bonds, respectively. The new asset allocation took effect July 1, 2026 and will impact contribution rates for employers and PEPRA Members beginning in fiscal year 2027-28.

The Schools Pool Actuarial Valuation as of June 30, 2024 (the "2024 PERS Actuarial Valuation") reported that from June 30, 2023 to June 30, 2024 the funded ratio of the Schools Pool increased by 2.1% (from 67.5% to 69.9%), which was partially due to employer contributions towards the unfunded accrued liability and an investment gain, partially offset by a non-investment loss. Based on the final assets as of June 30, 2025, the investment return for 2024-25 was 12.0% after reduction for administrative expenses, generating an actuarial gain of $4.9 billion. This gain will be amortized over 20 years with a five-year ramp, decreasing the employer contribution rate in 2026-27 by 0.49% of pay. Due to the five-year ramp, this impact will escalate each year until it reaches an estimated reduction of 2.16% pay in 2030-31. Additionally, the changes in actuarial assumptions mentioned above increased unfunded accrued liability by $0.2 billion, which will be amortized over 20 years. The increased unfunded accrued liability was offset by a decrease in the unfunded liability rate of 0.06% of pay due to payroll being projected at the new 3.0% wage inflation assumption, combined with a 0.46% increase in the employer normal cost rate. The net effect of the assumption changes is an increase of 0.53% in the employer contribution rate. Lastly, the non-investment experience during 2024-25, which includes both demographic experience and economic experience other than from investments, increased unfunded accrued liability by $0.6 billion, which will be amortized over 20 years, increasing the employer normal cost rate by 0.19% in 2026-27. Combined with a 0.17% decrease in the employer normal cost rate, the net effect of non-investment experiences is an increase of 0.02% in the employer rate. Total reported payroll in 2024-25 increased by 6.6% over the prior year, compared with 2.8% expected. This increase served to reduce the employer contribution rate by 0.61% of pay in 2026-27 as the dollar amount of the unfunded liability contribution is divided by a larger payroll.

On July 13, 2026, PERS reported a preliminary net return on investment of 14.8% for PERF for the 12-month period ending June 30, 2026. Preliminary total fund annualized returns for the five-year period ending June 30, 2026, stood at 6.83%; the 10-year period at 8.57%; and the 20-year period at 6.81%. The ending value of the PERF for fiscal year 2025-26 will be based on additional factors beyond investment returns, including employer and employee contributions, monthly payments to retirees, and various investment fees. PERS will review the portfolio's performance in the subsequent few months to determine the final fiscal year returns for 2025-26. Once finalized, the fiscal year-end market value of PERS' assets is used to set contribution rates for the State and school districts in the 2027-28 fiscal year.

A circular letter published on October 19, 2026 reports that the contribution rate for fiscal year 2026-27 is 26.4%, the contribution rate for fiscal year 2027-28 is projected to be 26.0%, the contribution rate for fiscal year 2028-29 is projected to be 24.4%, the contribution rate for fiscal year 2029-30 is projected to be 22.8%, and the contribution rate for fiscal year 2030-31 is projected to be 21.0% and the contribution rate for fiscal year 2031-32 is projected to be 20.2%. The projected contribution rates reflect a preliminary investment return for fiscal year 2025-26 of 14.8% (without reduction for administrative expenses). Further, projected rates reflect the anticipated decrease in normal cost due to new hires entering the PEPRA benefit tiers. The projections assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits or funding will occur during the projection period. Future contribution requirements may differ significantly. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

In November 2024, PERS released its 2024 Annual Review of Funding Levels and Risk (the "2024 PERS Funding Levels and Risk Report"), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The 2024 PERS Funding Levels and Risk Report notes that over the next several years there is the potential for various factors to either further increase required contributions or add additional financial strain on employers and their ability to make required contributions, including inflation and near-term economic turmoil. The 2024 PERS Funding Levels and Risk Report notes that over the last few years, price inflation has been significantly higher than the PERS long-term assumption of 2.3%, which can affect liability measures and investment returns in several ways and which can be difficult to quantify. The most direct impact of high inflation is that retirees can receive higher than expected cost-of-living adjustments and active employees can receive higher than expected salary increases, which could increase actuarial losses in the future. The 2024 PERS Funding Levels and Risk Report concludes that, as of June 30, 2023, the PERS Retirement System had experienced a couple of years of investment returns below the expected return of 6.8%, and actuarial losses primarily due to high inflation which resulted in unexpected cost of living adjustments for retirees and higher than expected member pay increases. The foregoing resulted in increased employer contributions along with further increases forecasted for the near future. Despite the strong investment return for the fiscal year ending June 30, 2024, the 2024 PERS Funding Levels and Risk Report notes that employer contributions are currently at relatively high levels due to large amounts of unfunded accrued liability and uncertainty within the economy suggests possible economic turmoil in the near future. The 2024 PERS Funding Levels and Risk Report concludes that the ability of employers to continue making required contributions to the system is the area of greatest concern.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For PEPRA Members, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increasing the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new

participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Post-Employment Benefits

The District provides post-employment health care benefits for a period of up to five years, in accordance with the District's employment contracts, to certain certificated and classified employees who retired from the District on or after attaining age 55 (and their eligible dependents) with at least 15 years of service. As of June 30, 2025, 11 employees met those eligibility requirements. The District contributes a maximum of $400 per year of the amount of premiums incurred by the retirees and their dependents and the retirees contribute the remainder. This benefit continues for 5 years, but not beyond the earlier of the retiree's death or age 65. In addition, 4 employees receive lifetime benefit of up to $3,186.50 per year toward medical premiums and fully paid dental and vision benefits for their lifetime.

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

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

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

The District's most recent actuarial valuation report for the District OPEB Plan, dated September 21, 2026 (the "Valuation Report"), reflects the application of GASB Statement 75. Based on such actuarial valuation report, the total liability for the District OPEB Plan was $2,913,570 as of the June 30, 2025 measurement date. This amount represented the present value of all benefits projected to be paid by the District for current and future retirees. The Valuation Report further estimates that the District's OPEB expense for fiscal year 2025-26 was $159,862. The OPEB liabilities presented in the Valuation Report reflect recalculated plan liabilities as of June 30, 2025, in accordance with the biennial valuation requirement under GASB Statement 75, and may differ from the OPEB liabilities reported in the District's Audited Financial Report.

The District recognizes the post-employment health care benefits on a pay-as-you-go basis. The most recent actuarial valuation report for the District OPEB Plan did not provide an actuarially determined contribution for the District OPEB Plan (i.e. a contribution amount that is projected to fully fund the District OPEB Plan over a period of amortization). The District contributed $109,996 to the District OPEB Plan in fiscal year 2024-25. The changes in net District OPEB Plan liability as of June 30, 2025, are shown in the following table:

Total District OPEB Plan Liability	***June 30, 2025***
Service Cost	$ 183,728
Interest on Total OPEB Liability	112,596
Difference between expected and actual experience	71,205
Changes of Assumptions	(16,571)
Benefits Payment	(75,565)
Net Change in Total OPEB Liability	**275,393**
Total OPEB Liability, Beginning	**$ 2,771,042**
Total OPEB Liability, Ending	**$ 3,046,435**

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

See Note 10 to the District's June 30, 2025 Financial Statements set forth in Appendix B hereto.

Insurance

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District obtains property and liability insurance coverage from the Alliance of Schools Cooperative Insurance Program ("ASCIP"), which arranges for and provides such insurance for its member districts. The District pays premiums commensurate with the level of coverage requested through ASCIP. The District obtains Property & Liability insurance through ASCIP and its reinsurance partners up to the first $5,000,000 and, through 2025-26, with School's Excess Liability Fund "SELF" which provides excess insurance for $50,000,000 to the District for a total limit for Property & Liability claims up to $55,000,000. Beginning in 2026-27, excess insurance will be provided through ASCIP. ASCIP also provides statutory Workers' Compensation coverage and partners with Safety National as their excess carrier. Additionally, ASCIP offers employers liability coverage with limits of $2,000,000 per occurrence. This comprehensive coverage ensures that ASCIP members have robust protection for both workers' compensation claims and employer liability risks. Settled claims have not exceeded commercial coverage in any of the last three years. There has not been any significant reduction in coverage in the last year.

ASCIP is established pursuant to the provisions of the California Government Code and has local school districts as participants. ASCIP is governed by a 13-member Board of Directors that consists of representatives from the following membership categories: K-12 school districts, K-8 school districts, community college districts, Joint Powers Authorities and charter schools. The ASCIP board controls its operation, including selection of management, and approval of operating budgets, independent of any influence of the member districts beyond any representation on the board. The relationship between the District and ASCIP is such that ASCIP is not a component unit of the District for financial reporting purposes. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in ASCIP.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District is subject to multiple 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 access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the District does not believe that it has experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the District's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the District. Additionally, the District carries cybersecurity insurance through ASCIP that provides coverage for between $500,000 and $5,000,000 per occurrence based on the type of claim, subject to a $5,000 deductible.

DISTRICT FINANCIAL MATTERS

Accounting Practices

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

The District generally adopts the Government Accounting Standards Board Statements for its financial reporting. Changes to the GASB Statements can result in changes in accounting principles which impact the District's financial reporting and results. See Note 1 to the District's June 30, 2025 Financial Statements set forth in Appendix B hereto for a discussion of significant accounting policies affecting the District.

District Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

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

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

If the County Superintendent determines that the adopted budget does not satisfy one or more of the requirements set forth in the preceding paragraph, the County Superintendent shall transmit recommendations regarding revisions to the adopted budget to the school district and the reasons therefor. The County Superintendent may assign a fiscal adviser to assist the school district to develop a budget in compliance with those revisions. In addition, the County Superintendent may appoint a committee to examine and comment on

the review and recommendations, subject to the requirement that the committee report its findings to the County Superintendent no later than September 20.

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

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

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

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

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

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

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

Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

After approving the districts' budgets, the County Superintendent will monitor, throughout the fiscal year, each school district under his or her jurisdiction pursuant to its adopted budget to determine on a continuing basis if the district can meet its current or subsequent year financial obligations. If a County

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

At a minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31 and a Second Interim Financial Report by March 15 covering financial operations from November 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education. The District has not received a qualified or negative certification on its interim reports within the past five years.

Pursuant to State law, the District adopted its fiscal year 2026-27 budget (the "2026-27 Adopted Budget") on June 18, 2026, which set forth revenues and expenditures such that appropriations during fiscal year 2026-27 were not projected to exceed the sum of revenues for such fiscal year plus the July 1, 2026 beginning fund balance. Additionally, the District adopted its 45-day budget revision to the 2026-27 Adopted Budget on August 12, 2026. See "DISTRICT FINANCIAL MATTERS—Current Financial Condition" below.

State Funding of Education

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

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaced the prior revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants (a "Base Grant") per unit of average daily attendance ("ADA") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed

below. Full implementation of the LCFF occurred over a period of eight fiscal years. In each year, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span, as of the first year of the LCFF's implementation, were as follows: (i) $6,845 for grade TK-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, the Base Grants were adjusted for cost of living adjustments ("COLAs") by applying the implicit price deflator for government goods and services. The provision of COLAs is currently subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades TK-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades TK-3 must maintain an average class enrollment of 24 or fewer students in grades TK-3 at each school site in order to continue receiving the adjustment to the TK-3 Base Grant. The District is satisfying the class enrollment criteria in fiscal year 2025-2026 and will continue to do so in 2026-27.

The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13. The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include Transitional Kindergarten (TK) to all four-year olds. This plan is expected to phase in cohorts of TK students over a four-year period, concluding in fiscal year 2025-26. As a result, school districts that serve TK students will be eligible to receive an add-on equal to $3,077, multiplied by such district's second principal reporting period ADA for TK students for the current fiscal year. Beginning in fiscal year 2023-24, this add-on is subject to COLA adjustments to the same degree as LCFF Base Grants. For fiscal year 2026-27, the District has budgeted for an enrollment of approximately 280 TK students.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 65% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The District does not qualify for a Concentration Grant.

Table 13 below shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2022-23 through 2026-27.

TABLE 13
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
ADA, Enrollment and EL/LI Enrollment Percentage
Fiscal Years 2022-23 through 2026-27

	Average Daily Attendance [1]					*Enrollment* [2]	
Fiscal Year	*TK-3*	*4-6*	*7-8*	*9-12*	*Total ADA*	*Total Enrollment*	*% of EL/LI Enrollment*
2022-23	1,372	1,077	752	2,417	5,618	5,895	5.7%
2023-24	1,404	1,068	731	2,474	5,677	5,925	7.0
2024-25	1,431	1,100	736	2,373	5,641	5,895	6.9
2025-26	1,537	1,033	723	2,369	5,662	5,905	7.4
2026-27	1,590	985	719	2,245	5,539	5,786	7.6

(1) Reflects P-2 ADA. Because P-2 ADA for fiscal year 2026-27 will not be released until April 2027, Average Daily Attendance for fiscal year 2026-27 is estimated. Includes District's share of ADA in County funded charter schools.

(2) As of October report submitted to the California Basic Educational Data System (CBEDS). For purposes of calculating Supplemental and Concentration Grants, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Enrollment for fiscal year 2026-27 is estimated.

Source: The District.

Prior to fiscal year 2022-23, the sum of a school district's adjusted Base, Supplemental and Concentration Grants was multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). The 2022-23 State budget amended the LCFF calculation to allow the sum of a school district's adjusted Base, Supplemental and Concentration Grants to be multiplied by such district's P-2 ADA for the current year, prior year, or average of three prior years, whichever is greater. The funding amount generated by this calculation, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

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

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

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in

eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP. The District has adopted its LCAP for fiscal year 2026-27.

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

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

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

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

Historical General Fund Financial Information

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

	Audited 2020-21	*Audited 2021-22*	*Audited 2022-23*	*Audited 2023-24*	*Audited 2024-25*
REVENUES					
LCFF Sources	$ 56,173,300	$ 58,490,807	$ 64,118,849	$ 67,213,081	$ 66,156,943
Federal Sources	4,739,915	4,458,314	3,760,470	2,648,751	2,028,362
Other State Sources	14,254,558	13,954,172	17,066,965	12,408,030	12,623,776
Other Local Sources	16,849,556	14,363,338	17,257,505	18,585,356	20,263,097
Total Revenues	$ 92,017,329	$ 91,266,631	$ 102,203,789	$ 100,855,218	$ 101,072,178
EXPENDITURES					
Certificated Salaries	$ 35,510,095	$ 36,940,470	$ 40,640,176	$ 40,464,874	$ 41,899,860
Classified Salaries	14,022,763	14,969,121	15,506,654	15,432,695	16,626,485
Employee Benefits	21,775,325	22,740,731	25,121,188	26,254,692	26,962,172
Books and Supplies	2,776,401	2,991,481	2,620,969	4,106,298	3,699,276
Contracted Services	11,735,365	11,612,492	13,996,037	14,292,149	17,294,358
Capital Outlay	3,354	-	555,213	16,588	400,686
Other Outgo	500,170	222,687	-	-	-
Debt Service	-	59,996	-	-	-
Transfers to other agencies	-	-	769,376	416,275	239,241
Transfers of indirect costs	-	-	(75,240)	(63,783)	(76,938)
Total Expenditures	$ 86,323,473	$ 89,536,948	$ 99,134,373	$ 100,919,788	$ 107,045,140
Excess (Deficiency) of Revenues Over Expenditures	$ 5,693,856	$ 1,729,683	$ 3,069,416	$ (64,570)	$ (5,972,962)
Other Financing Sources (Uses)					
Proceeds from Lease	-	$ 208,531	-	-	-
Net Financing Sources (Uses)	-	$ 208,531	-	-	-
NET CHANGE IN FUND BALANCE	$ 5,693,856	$ 1,938,214	$ 3,069,416	$ (64,570)	$ (5,972,962)
Fund Balance – Beginning	5,901,728	11,595,584	13,995,883	16,122,562	16,057,992
Restatement of Beginning Balance[(1)]	-	12,057,669	13,052,748	-	16,050,915
Fund Balance – Ending	$ 11,595,584	$ 13,995,883	$ 16,122,164	$ 16,057,992	$ 10,077,953

(1) Restatement of beginning fund balance in fiscal year 2021-22 was the result of the understatement of accounts payable, the overstatement of unearned revenue and the reclassification of expenditures in fiscal year 2020-21. Restatement of beginning fund balance in fiscal year 2022-23 was the result of revisions to fiscal year 2021-22 transactions to accurately reflect the substance of the transactions. Restatement of beginning fund balance in fiscal year 2024-25 was due to recalculation of the lease receivables and the deferred inflow of resources based on GASB Statement No. 87.

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

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

Table 15
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Comparison of General Fund Budgeted to General Fund Revenues and Expenditures for Fiscal Years 2023-24 and 2024-25

	2023-24		*2024-25*	
	Budget	***Actual***	***Budget***	***Actual***
REVENUES				
LCFF Sources	$ 67,112,924	$ 67,213,081	$ 66,436,286	$ 66,156,943
Federal Sources	2,335,172	2,648,751	2,108,075	2,028,362
Other State Sources	11,260,121	12,408,030	12,302,681	12,623,776
Other Local Sources	14,683,737	18,585,356	16,057,605	20,263,097
Total Revenues	$ 95,391,954	$ 100,855,218	$ 96,904,647	$ 101,072,178
EXPENDITURES				
Certificated Salaries	$ 40,480,915	$ 40,464,874	$ 39,555,302	$ 41,899,860
Classified Salaries	15,661,137	15,432,695	16,800,158	16,626,485
Employee Benefits	26,472,843	26,254,692	26,928,663	26,962,172
Books and Supplies	3,699,591	4,106,298	3,414,117	3,699,276
Services and Other Operating Expenditures	12,475,429	14,292,149	11,740,487	17,294,358
Capital Outlay	200,000	16,588	250,000	400,686
Other Outgo	--	--	--	--
Debt Service	--	--	--	--
Excluding transfers of indirect costs	415,040	416,275	391,000	239,241
Transfers of indirect costs	(100,000)	(63,783)	(75,000)	(76,938)
Total Expenditures	$ 99,304,955	$ 100,919,788	$ 99,004,727	$ 107,045,140
NET CHANGE IN FUND BALANCE	(3,913,001)	(64,570)	(2,100,080)	(5,972,962)
Fund Balance – Beginning	16,122,562	16,122,562	16,050,915	16,050,915
Fund Balances – Ending	$ 12,209,561	$ 16,057,992	$ 13,950,835	$ 10,077,953

Source: Manhattan Beach Unified School District adopted budget for fiscal years 2023-24 and 2024-25, and Audited Financial Statements for fiscal years 2023-24 and 2024-25.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

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

	Audited 2020-21	*Audited 2021-22*	*Audited 2022-23*	*Audited 2023-24*	*Audited 2024-25*
ASSETS					
Deposits and Investments	$ 16,528,023	$ 13,573,884	$ 18,963,456	$ 12,494,404	$ 5,147,028
Receivables	11,689,689	9,973,965	12,161,790	13,459,796	15,432,788
Stores Inventories	13,783	15,108	11,569	8,781	12,425
Other Current Assets	259,646	265,621	300,963	3,928	3,928
Lease Receivable	--	235,634	121,554	--	--
Total Assets	$ 28,491,141	$ 24,064,212	$ 31,559,332	$ 25,966,909	$ 20,596,169
LIABILITIES					
Accounts Payable	8,580,646	8,234,766	13,601,188	8,483,835	9,099,172
Current Loans	6,810,000	--	--	--	--
Due to Other Funds	--	--	--	--	--
Unearned Revenue	1,504,911	1,604,608	1,721,105	1,432,159	1,419,044
Total Liabilities	$ 16,895,557	$ 9,839,374	$ 15,322,293	$ 9,915,994	$ 10,518,216
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to leases	--	$ 228,955[(1)]	$ 114,477[(1)]	--	--
FUND BALANCES					
Nonspendable	23,783	25,108	21,569	18,781	22,425
Restricted	3,454,495	2,707,104	5,811,847	4,583,261	2,488,318
Committed	960,000	--	--	--	--
Assigned	--	--	--	--	--
Unassigned	7,157,306	11,263,671	10,289,146	11,448,873	7,567,210
Total Fund Balances	$ 11,595,584	$ 13,995,883	$ 16,122,562	$ 16,050,915	$ 10,077,953
Total Liabilities and Fund Balances	$ 28,491,141	$ 24,064,212	$ 31,559,332	$ 25,966,909	$ 20,596,169

(1) Represents deferred inflows of resources related to leases that was attributed to the General Fund pursuant to GASB Statement No. 87.

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

Current Financial Condition

The District's financial condition is closely linked to the finances of the State and the State's finances are affected by the health of the State and national economies. In recent years the State has had budget surpluses and funding to K-12 schools has increased, including in the initial years following the onset of the COVID-19 pandemic. The 2026-27 State Budget (defined below) is projected to provide for balanced budgets in fiscal years 2026-27 and 2027-28. Future budget decisions by the State could have an adverse impact on the District's financial condition which could be material. See "STATE OF CALIFORNIA FISCAL ISSUES."

Table 17 below contains the difference between the District's Adopted General Fund Budget for fiscal year 2025-26 and the District's unaudited actual General Fund results for fiscal year 2025-26 (the "2025-26 Unaudited Actual Results"). In addition, Table 17 contains the District's 2026-27 Adopted Budget (45-Day Budget Revision).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 17
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Comparison of 2025-26 Adopted General Fund Budget
to Unaudited Actual Results for Fiscal Year 2025-26
and 2026-27 Adopted Budget (45-Day Budget Revision)

	2025-26 Adopted Budget	*2025-26 Unaudited Actual Results*	*Difference Between 2025-26 Adopted Budget and 2025-26 Unaudited Actuals*	*2026-27 Adopted Budget (45-Day Budget Revision)*
REVENUES				
LCFF Sources	$ 69,062,934	$ 68,717,493	0.5%	$ 71,707,558
Federal Revenue	2,156,105	2,051,341	4.9	2,046,798
Other State Revenue	12,943,286	15,353,124	(18.6)	20,777,687
Other Local Revenue	16,491,439	19,662,243	(19.2)	18,219,836
Total Revenues	$100,653,764	$105,784,201	(5.1)%	$ 112,751,879
EXPENDITURES				
Certificated Salaries	$ 40,495,949	$ 39,827,055	1.7%	40,034,633
Classified Salaries	18,166,774	15,797,462	13.0	16,243,458
Employee Benefits	28,169,543	27,657,310	1.8	28,261,566
Books and Supplies	2,891,909	3,670,381	(26.9)	3,104,858
Services and Other Operating Expenditures	12,998,486	18,134,226	(39.5)	18,607,856
Capital Outlay	250,000	419,059	(67.6)	310,000
Other Outgo (excluding Transfers of Indirect Costs)	457,500	1,092,353	(138.8)	632,500
Other Outgo – Transfers of Indirect Costs	(75,000)	(100,852)	(34.5)	(75,000)
Total Expenditures	$103,355,161	$106,496,994	(3.0)%	$ 107,119,871
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	$ (2,701,397)	$ (712,793)		$ 5,632,008
Net Increase (Decrease) in Fund Balance	$ (2,701,397)	$ (712,793)	--	$ 5,632,008
FUND BALANCE, RESERVES				
Beginning Fund Balance, July 1 – Unaudited	$ 8,544,115	$ 10,077,953	--	$ 9,365,160
Ending Balance, June 30	$ 5,842,718	$ 9,365,160	--	$ 14,997,168

Source: Manhattan Beach Unified School District 2025-26 Adopted Budget, 2026-27 Adopted Budget (45-Day Budget Revision) and 2025-26 Unaudited Actual Results.

In its multi-year projections in the 2026-27 Adopted Budget (45-Day Budget Revision), the District projects that General Fund revenues, together with transfers in, will exceed expenditures, together with transfers out, by $5,632,008 in fiscal year 2026-27. The District projects that General Fund expenditures, together with transfers out, will exceed revenues, together with transfers in, by $582,786 in fiscal year 2027-28 and by $1,326,078 in fiscal year 2028-29. In the aggregate, the District projects that General Fund revenues, together with transfers in, will exceed expenditures, together with transfers out, by approximately $3,723,144 through June 30, 2029 leaving a projected General Fund balance of $13,088,304 as of that date. The 2026-27 Adopted Budget projects modest decline in ADA through fiscal year 2028-29. If required, the District has a

variety of cost-cutting measures that it believes it can implement in order to reduce General Fund expenses in future fiscal years, including reducing contracted services, increasing student attendance and right sizing non-classroom staffing.

State law requires the District to maintain a reserve for economic uncertainty equal to at least 3% of General Fund expenditures and other financing uses. The District is also required to demonstrate that available reserves for each of the next two fiscal years will equal or exceed the required amount. The District generally seeks to maintain a 5% reserve balance. In the 2026-27 Adopted Budget (45-Day Budget Revision), the District projects available reserves of 6.73% in fiscal year 2026-27, 5.38% in fiscal year 2027-28, and 4.29% in fiscal year 2028-29.

Under SB 858 (as defined below), and SB 751 (as defined below), the District's future reserves may be capped in certain fiscal years. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2" and "STATE OF CALIFORNIA FISCAL ISSUES—General Overview—*School Reserves*." In fiscal year 2022-23, the reserve cap established by SB 751 was implemented for the first time, which required the District to cap its Assigned Reserves for such fiscal years, which the District was able to do. The District does not expect the SB 751 reserve cap to be implemented in fiscal year 2026-27. As the reserve cap provisions of SB 858 and SB 751 are dependent upon State budget actions, the District cannot predict in which future fiscal years the cap may apply.

In several recent fiscal years, the State deferred the payment of certain revenues due to school districts to the following fiscal year. In accordance with State accounting standards, the District applies a modified accrual method of accounting and, accordingly, Tables 14 through 17 do not reflect any deferral of revenues to future fiscal years.

The District issued $21,300,000 of Tax and Revenue Anticipation Notes to supplement the cash flow for fiscal year 2026-27. The District may need to borrow additional funds on a short-term basis in order to have adequate cash on hand to meet expenditures in the current fiscal year or next fiscal year. In addition, the District may borrow from internal funds or from the County Treasurer and Tax Collector on a short-term basis, if needed. See "DISTRICT DEBT STRUCTURE—Short-Term Debt" herein.

Revenue Sources

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

State Apportionment Funding

The District received $66,156,943 in fiscal year 2024-25 from LCFF Sources, representing 65.5% of its General Fund revenues. In its 2025-26 Unaudited Actual Results, the District estimates for the receipt of $68,717,493 from LCFF sources in fiscal year 2025-26, representing 65.0% of its General Fund revenues. In the 2026-27 Adopted Budget (45-Day Budget Revision), the District has budgeted $71,707,558 for LCFF sources in fiscal year 2026-27, representing 63.6% of its General Fund revenues.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, all of which are restricted, comprised approximately 2.0% of General Fund revenues in fiscal year 2024-25. In its 2025-26 Unaudited Actual Results, federal revenues are estimated to be approximately 1.9% of General Fund revenues in fiscal year 2025-26. In the 2026-27

Adopted Budget (45-Day Budget Revision), the District has budgeted federal revenues at approximately 1.8% of total General Fund revenues in fiscal year 2026-27.

Other State Sources

In addition to State apportionment funding discussed above, the District receives other State revenues ("Other State Sources"). In fiscal year 2024-25, Other State Sources equaled approximately 12.5% of total General Fund revenues. In the 2025-26 Unaudited Actual Results, Other State Sources are estimated to equal approximately 14.5% of total General Fund revenues in fiscal year 2025-26. In the 2026-27 Adopted Budget (45-Day Budget Revision), the District has budgeted Other State Sources at approximately 18.4% of total General Fund revenues in fiscal year 2026-27.

Other Local Sources

In addition to property taxes, the District receives additional local sources ("Other Local Sources") from items such as a parcel tax. The parcel tax generates approximately $2,500,000 annually through 2030. These Other Local Sources (including tuition and transfers) equaled approximately 20.0% of the total General Fund revenues in fiscal year 2024-25. In the 2025-26 Unaudited Actual Results, Other Local Sources are estimated to equal approximately 18.6% of General Fund revenues in fiscal year 2025-26. In the 2026-27 Adopted Budget (45-Day Budget Revision), the District has budgeted Other Local Sources at approximately 16.2% of total General Fund revenues in fiscal year 2026-27.

Capital Projects Funds

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth. Separate and apart from the General Fund, the District also maintains a Special Reserve Fund for Capital Outlay to act as a reserve for Board of Trustees designated construction projects.

Collection of developer fees followed a formal declaration by the Board of Trustees which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current developer fee is $5.38 per square foot of habitable space on domestic housing developments. The current developer fee on commercial/industrial developments is $0.87 per square foot. As of June 30, 2025, a balance of $4,391,254 existed in the District's Capital Facilities Fund, a balance of $7,327,263 existed in the County School Facilities Fund and a balance of $925,722 existed in the Special Reserve Fund for Capital Outlay. Except for amounts in the Special Reserve Fund for Capital Outlay, which may be expended on one-time non-capital costs other than salaries and benefits, the amounts in these funds are restricted to pay for capital improvements.

DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2025, the District had $351,404,546 of long-term debt outstanding for Governmental Activities, of which $268,837,201 (inclusive of unamortized premium and accreted interest) was related to general obligation bonds. The District has not issued any additional general obligation bonds since that date.

A schedule of changes in long-term debt for Governmental Activities for the fiscal year ended June 30, 2025 is shown in Table 18 below. Table 18 does not include long-term debt in Business-Type Activities.

Table 18
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Long-Term Debt

	Restated Balance July 1, 2024	*Additions*	*Deductions*	*Balance June 30, 2025*	*Balance Due In One Year*
Governmental Activities					
General Obligation Bonds	$ 155,963,233	$50,000,000	$ 11,763,529	$ 194,199,704	$ 6,239,043
Premium on Bonds	19,770,710	5,076,904	1,169,769	23,677,845	1,169,769
Accreted Interest on Bonds	56,030,235	5,012,136	10,082,719	50,959,652	-
Total general obligation bonds	$ 231,764,178	$60,089,040	$ 23,016,017	$ 268,837,201	$ 7,408,812
Leases	51,371	-	20,141	31,230	19,866
Compensated Absences*	8,062,620	941,970	-	9,004,590	2,507,180
Other Postemployment Benefits	2,771,042	275,393	-	3,046,435	-
Net Pension Liability	75,921,589	-	5,436,499	70,485,090**	-
Total Governmental Activities	$ 318,570,800	$61,306,403	$ 28,472,657	$ 351,404,546	$ 9,935,858

* The change in the compensated absences liability is presented as a net change.

** The net pension liability balance of June 30, 2025 includes only the amount attributable to governmental activities and excludes $3,811,725 attributable to business-type activities. The combined net pension liabilities for governmental and business-type activities was $74,296,815.

Source: Manhattan Beach Unified School District Audited Financial Statements for fiscal year 2024-25 Additional information regarding the long-term debt and its scheduled repayment is set forth in Note 8 to the District's 2024-25 Audited Financial Statements attached as Appendix B hereto.

Short-Term Debt

On September 23, 2026, the District issued $21,300,000 of Tax and Revenue Anticipation Notes bearing interest at five percent (5.0%) per annum. The notes were issued to supplement cash flows for fiscal year 2026-27. Interest and principal will be due and payable on June 2, 2027.

Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt within the District is shown in Table 19 below. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement.

The information in the following table has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified this information and neither guarantees its accuracy.

Table 19
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
As of September 1, 2026

Fiscal Year 2026-27 Assessed Valuation: $29,073,568,771

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/26
Metropolitan Water District	0.654%	$ 104,934
Los Angeles Flood Control District	1.291	1,291,000
El Camino Community College District	16.905	72,962,472
Manhattan Beach Unified School District	**100.000**	**179,015,466**[1]
City of Manhattan Beach 1915 Act Bonds	100.000	11,235,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 264,608,872
OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	1.275%	$ 50,756,512
Los Angeles County Superintendent of Schools Certificates of Participation	1.275	17,081
City of El Segundo General Fund and Pension Obligation Bonds	0.001	1,160
City of Manhattan Beach General Fund Obligations	100.000	32,615,000
City of Manhattan Beach Pension Obligation Bonds	100.000	74,170,000
OVERLAPPING GENERAL FUND DEBT		$ 157,559,753
COMBINED TOTAL DEBT		$ 422,168,625[2]

Ratios to Fiscal Year 2026-27 Assessed Valuation:
Direct Debt ($179,015,466) 0.62%
Total Direct and Overlapping Tax and Assessment Debt 0.91%
Combined Total Debt 1.45%

(1) Excludes accreted interest of capital appreciation bonds..
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Series B Bonds are payable solely from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "SECURITY FOR THE SERIES B BONDS" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 1A, 2, 22, 30, 39, 46, 98 and 111 and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Series B Bonds. The tax levied by the County for payment of the Series B Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash

value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, and (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition. In 2000, Article XIIIA was amended to allow for an increase in *ad valorem* taxes for bonded indebtedness incurred by a school district or community college district if approved by 55% or more of the votes cast. See "—Proposition 39" below.

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

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

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on any utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also

permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

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

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

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

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

Articles XIIIC and XIIID

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either "general taxes" (imposed for general governmental purposes) or "special taxes" (imposed for specific purposes); prohibits special purpose government agencies, including school districts, from levying general taxes; and prohibits any local agency from imposing, extending or

increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Proposition 218 also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

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

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

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

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

Proposition 46

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

Proposition 39

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

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

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

Propositions 98 and 111

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

capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

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

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

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

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

Proposition 1A and Proposition 22

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

revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for K-14 school districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds

provided to K-12 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum

funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

California Senate Bill 222

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

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

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment ("Proposition 19"), which amends Article XIIIA to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District.

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") was a ballot measure that was approved by State voters on November 5, 2024. Proposition 2 (2024) authorizes the sale and issuance of $10 billion in State general obligation bonds for the repair, upgrade and construction of facilities at K-12 public schools, community colleges and career technical education programs, including the development of health and safety conditions.

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 million of the allocation for new constructions will be reserved for small school districts with an enrollment of fewer than 2,501 students. Of the $4 billion assigned for modernization of existing K-12 facilities, up to $115 million will be allocated for

the repairment of lead in water at school facilities. Generally, K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. However, some districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of $1.2 billion will be available for the modernization and new construction of charter school facilities ($600 million) and technical education facilities ($600 million). The State will award funds to technical education and charter school through an application process, and charter schools must be deemed financially sound before project approval.

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

Jarvis v. Connell

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

Future Initiatives and Propositions

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, and Propositions 2, 22, 26, 30, 39, 46, 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

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

STATE OF CALIFORNIA FISCAL ISSUES

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

General Overview

Financial Stress on State Budget. The fiscal year 2025-26 Budget for the State reported that the imposition of federal policy changes significantly slowed economic growth within the State. Most notably, broad based tariffs blunted economic growth and drove a downgrade of the economic forecasts built into the May revision to the State's 2025-26 Budget (the "May Revision"). However, the May Revision reported that the State's general fund revenues from the three largest sources (personal income, corporate and sales and use

taxes) were $16.5 billion higher than projected by the Proposed State Budget for fiscal year 2026-27 over the three year budget window due to higher personal income collections, boosted by a 2025 spike in capital gains realizations reflecting higher cash receipts through April of 2026. The revenue forecast in the May Revision was based on the slightly improved stock market outlook, combined with a relatively unchanged economic outlook. However, the May Revision noted that economic recession risk remain elevated due to unpredictable federal policy, geopolitical risks due to the Iran War, soft job market, and a potential correction of the stock market, which is reliant on investment in artificial intelligence rather than the underlying strength of the consumer.

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

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

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

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

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

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

2026-27 State Budget

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

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

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

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

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

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

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

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

Test 1 of the minimum funding guarantee is projected to be in effect over the three-year period, meaning that the guarantee is these years is roughly equal to 40% of projected State general fund revenues and

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

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

- *LCFF* – The 2026-27 State Budget includes a statutory COLA of 2.87% which, when combined with population growth adjustments, results in an increase of approximately $1.1 billion in discretionary funds for local educational agencies as compared to the State budget for fiscal year 2025-26. The 2026-27 State Budget includes an additional $1.1 billion in discretionary funding for the LCFF, resulting in a total COLA (statutory and discretionary) of 4.31%. These additional funds are intended to help local educational agencies manage rising costs, offset funding restrictions related to declining enrollment and fund a new requirement for paid pregnancy disability leave (see below). As a result the funding levels provided by the 2026-27 State Budget, the adjusted Base Grants for fiscal year 2026-27 are as follows: (i) $11,811 for grades TK-3, (ii) $10,860 for grades 4-6, (iii) $11,181 for grades 7 and 8, and (iv) $13,296 for grades 9-12. The adjusted add-on per ADA for TK funding is set at $5,704. Finally, the 2026-27 State Budget includes an ongoing increase of $31.3 million in Proposition 98 funding to provide a 20% increase in LCFF funding for Necessary Small Schools.

- *Paid Pregnancy Leave* – The 2026-27 State Budget requires all TK-14 local educational agencies to provide all employees with up to 14 weeks of paid pregnancy disability leave, beginning on January 1, 2027. Costs of the benefit are expected to be absorbable within the additional discretionary LCFF funding described above.

- *Special Education* – An increase of $2.4 billion in special education funding, representing a 43% increase over the funding level set in the prior year State budget. The 2026-27 State Budget also includes an ongoing allocation of $80 million for the special education cost pool, which provides reimbursement to special education local plan areas for students with specified high-cost service needs, as well as the low-incidence disability add-on, which provides funding to support students with rare, highly specialized needs. Additional measures also include (i) $30 million for the Supporting Inclusive Practices Project, which provides resources to schools and educators to expand students access to the general educational environment, (ii) a one-time increase of $25 million to the Inclusive College Technical Assistance Center, which facilitates collaboration between local educational agencies and institutions of higher education to expand inclusive college opportunities for disabled students, and (iii) $10 million in one-time funds to support implementation of alternative pathways for disabled students to obtain a high-school diploma.

- *Student Support and Professional Development* – $5 billion in one-time Proposition 98 funding for the Student Support and Professional Development Block Grant, which provides local educational agencies with additional fiscal support to address rising costs and fund Statewide priorities.

- *Community Schools* – $1 billion in ongoing Proposition 98 funding to expand community schools, which partner with educational, county and nonprofit entities to provide integrated health, trauma-informed mental health, social services and academic supports.

- *Literacy and Math Instruction* – $350 million in one-time Proposition 98 funding to extend funding for the support of the English Language Arts/English Language Development

framework, which includes investments such as literacy coaches, reading specialists, trainings for educators, administering screenings and providing materials. The 2026-27 State Budget also provides $50 million in one-time Proposition 98 funding to expand the reach of the Mathematics Professional Learning Partnership to include more local educational agencies and extend its impact beyond its current expiration date of June 30, 2029.

- *Teacher Preparation and Professional Development* – Nearly three quarters of a billion dollars to accelerate the State's progress in addressing teacher shortages, including (i) $408 million in additional one-time Proposition 98 funding for the Student Teacher Stipend Program, (ii) $250 million in one-time Proposition 98 funding to continue educational residency programs through 2029-30, (iii) $30 million in in one-time Proposition 98 funding for the Statewide teacher residency technical assistance center, (iv) $16.2 million in ongoing federal special education funds to continue the Golden State Teacher Grant Program, (v) $15 million in in one-time Proposition 98 funding to expand and enhance no-cost, high quality professional learning to support educational leaders and administrators, (vi) $10 million in in one-time Proposition 98 funding to provide competitive grants to local educational agencies to create pathways that will increase the number of bilingual teachers, and (vii) $10 million in in one-time Proposition 98 funding to support classified employees pursuing teaching credentials.
- *Immigrant Students* – $100 million in in one-time Proposition 98 funding to provide supportive services for newcomer pupils, English learners and immigrant families. The 2026-27 State Budget also provides $75 million in one-time Proposition 98 funding to establish Dream Resource Centers at high schools to support pupils with social services, State-funded immigration legal services, academic opportunities and parent and family workshops.
- *Early Education* - $250 million in in one-time Proposition 98 funding for the Universal Prekindergarten Planning & Implementation Grant, which will support the expansion of State preschool and Transitional Kindergarten programs to two-, three- and four-year old students. The 2026-27 State Budget also provides $51.4 million in ongoing Proposition 98 funding to provide increased monthly cost of care payments to State preschool program contractors and $33.6 million in ongoing Proposition 98 funding to increase the number of preschool development days.
- *Learning Recovery Emergency Block Grant* – $757.3 million in one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.
- *Kitchen Infrastructure* – $500 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure and training to support schools in providing more freshy prepared meals made with local ingredients.
- *Student Homelessness* – $116 million in one-time Proposition 98 funding to provide three-year grants to local educational agencies to increase identification of and improve educational outcomes for students experiencing homelessness.
- *Dual Enrollment* - $100 million in one-time Proposition 98 funding to increase access to college and career pathways for high school students.
- *Holocaust and Genocide Education* - $10 million in one-time Proposition 98 funding for the Holocaust and Genocide Education Grant program to support professional development and provide resources on Holocaust and genocide education.
- *Reading Difficulties Screening* – $40 million in one-time Proposition 98 funding to support continued implementation of student reading difficulties screenings.

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

Future Actions and Events

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

LEGAL MATTERS

Tax Matters

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

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

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

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

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

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

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

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

A copy of the proposed form of opinion of Bond Counsel for the Series B Bonds is attached in Appendix A.

Legality for Investment in California

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

No Litigation

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

In 2019, the State legislature enacted the Child Victims Act, also known as AB 218, which extended the statute limitations for childhood sexual assault. The District is not aware of any pending claims against it under AB 218.

CONTINUING DISCLOSURE

In connection with the issuance of the Series B Bonds, the District will covenant for the benefit of bondholders (including Beneficial Owners of the Series B Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than the March 1 following the end of the District's fiscal year (which currently ends June 30), commencing with the report for fiscal year 2025-26, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed by the District in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of enumerated events is included in Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants are being made in order to assist the Underwriter in complying with the Rule.

In the last five years, the District has not failed to comply in all material respects with its previous undertakings under the Rule, except that the annual report for fiscal year 2022-23 that was required to be filed in connection with the District's Election of 2016 General Obligation Bonds 2020 Series B (Measure C) was filed 135 days late.

MISCELLANEOUS

Rating

Fitch Ratings, Inc. ("Fitch") and Moody's Investor's Service, Inc. ("Moody's") have assigned the ratings of "AAA" and "Aa1" to the Series B Bonds, respectively. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from Fitch and Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating for the Series B Bonds will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series B Bonds.

Municipal Advisor

Montague DeRose and Associates, LLC has been employed by the District to perform municipal advisory services in relation to the sale and delivery of the Series B Bonds (the "Municipal Advisor"). Although the Municipal Advisor has assisted in the preparation of the Official Statement, the Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further the Municipal Advisor does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Series B Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

Underwriting

The Series B Bonds are being purchased for reoffering by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series B Bonds pursuant to a Bond Purchase Contract with the District (the "Contract of Purchase") at the initial purchase price of $_____ (being equal to the aggregate principal amount of the Series B Bonds, less an Underwriter's discount of $_____, [plus] an original issue [premium] of $_____). The Contract of Purchase provides that the Underwriter will purchase all of the Series B Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriter may offer and sell the Series B Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Audited Financial Statements

The District's audited financial statements for fiscal year 2024-25 included in this Official Statement have been audited by Christy White, Inc. (the "Auditor"), independent auditors. Attention is called to the scope limitation described in the Auditor's report accompanying the financial statements. The Auditor has not been requested to consent to the inclusion of its report in this Official Statement. The Auditor has not undertaken to update the audited financial statements for fiscal year 2024-25 or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated January 14, 2026. See Appendix B—"DISTRICT'S 2024-25 AUDITED FINANCIAL STATEMENTS" herein.

Financial Interests

The fees being paid to the Underwriter, Bond Counsel and Disclosure Counsel, Underwriter's Counsel and the Municipal Advisor are contingent upon the issuance and delivery of the Series B Bonds. From time to time, Stradling Yocca Carlson & Rauth LLP, in its capacity as Bond Counsel and Disclosure Counsel represents the Underwriter on matters unrelated to the Series B Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series B Bonds. Quotations from and summaries and explanations of the Series B Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any Bond Owner may obtain copies of reports relating to the Series B Bonds, as available, from the District at 325 S Peck Avenue, Manhattan Beach, California 90266. The District may impose a charge for copying, mailing and handling.

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 Series B Bonds.

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE SERIES B BONDS

On the date of issuance of the Series B Bonds, Stradling Yocca Carlson & Rauth LLP, Bond Counsel, proposes to issue its approving opinion relating to the Series B Bonds in substantially the following form:

[Closing Date]

Honorable Members of the Board of Trustees
Manhattan Beach Unified School District
Manhattan Beach, California

Re: $_____ Manhattan Beach Unified School District (Los Angeles County, California) Election of 2024 General Obligation Bonds, Series B

Dear Honorable Members of the Board of Trustees:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Manhattan Beach Unified School District (the "District") taken in connection with the authorization and issuance of the District's Election of 2024 General Obligation Bonds, Series B, in the aggregate principal amount of $_____ (the "Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the County of Los Angeles (the "County"), the District, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued by the District pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, and a vote of the qualified electors of the District voting at an election held on November 5, 2024, and pursuant to a resolution adopted by the Board of Trustees of the District on September 16, 2026 (the "Bond Resolution") and a resolution adopted by the Board of Supervisors of the County on October 20, 2026.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

DISTRICT'S 2024-25 AUDITED FINANCIAL STATEMENTS

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2025

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2025

FINANCIAL SECTION

Report on the Audit of the Financial Statements 1
Management's Discussion and Analysis 4
Basic Financial Statements
Government-wide Financial Statements
Statement of Net Position 11
Statement of Activities 12
Fund Financial Statements
Governmental Funds – Balance Sheet 13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances 16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 17
Proprietary Funds – Statement of Net Position 19
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Position 20
Proprietary Funds – Statement of Cash Flows 21
Notes to Financial Statements 22

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule 57
Schedule of Changes in Total OPEB Liability and Related Ratios 58
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS 59
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS 60
Schedule of District Contributions - CalSTRS 61
Schedule of District Contributions - CalPERS 62
Notes to Required Supplementary Information 63

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 65
Schedule of Average Daily Attendance (ADA) 66
Schedule of Instructional Time 67
Schedule of Financial Trends and Analysis 68
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 69
Schedule of Charter Schools 70
Combining Statements – Non-Major Governmental Funds
Combining Balance Sheet 71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 72
Notes to Supplementary Information 73

OTHER INFORMATION

Local Education Agency Organization Structure 74

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2025

OTHER INDEPENDENT AUDITORS' REPORTS

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* 75
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance 77
Report on State Compliance and on Internal Control over Compliance for State Programs 80

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 84
Financial Statement Findings 85
Federal Award Findings and Questioned Costs 86
State Award Findings and Questioned Costs 87
Summary Schedule of Prior Audit Findings 88

FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Manhattan Beach Unified 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 business-type activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Manhattan Beach Unified 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, the Manhattan Beach Unified School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Responsibilities of Management for the Financial Statements (continued)

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 Manhattan Beach Unified 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 of the financial statements.

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 Manhattan Beach Unified 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 Manhattan Beach Unified 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 that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manhattan Beach Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2026 on our consideration of the Manhattan Beach Unified 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Manhattan Beach Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manhattan Beach Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 14, 2026

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

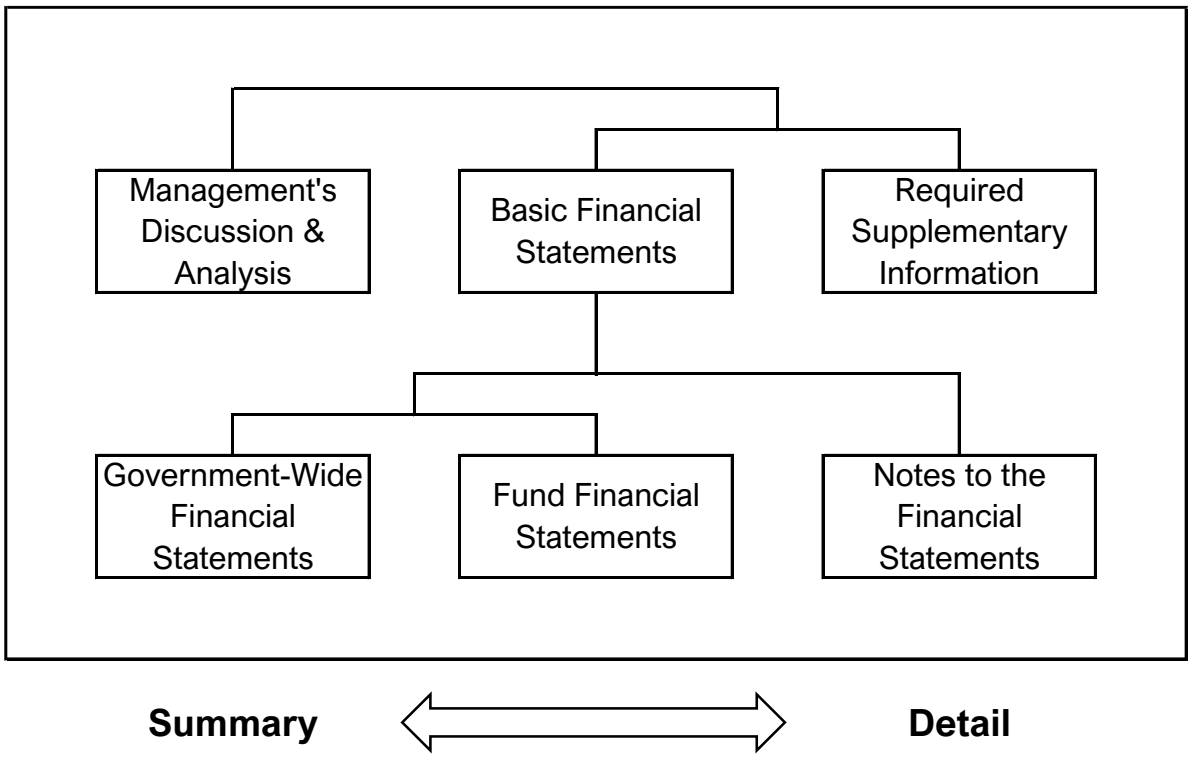
Our discussion and analysis of Manhattan Beach Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's combined net position was $20,099,903 at June 30, 2025. This was an increase of $12,486,869 from the prior year, after restatement to the governmental activities.
- Overall combined revenues were $138,008,881, which exceeded expenses of $125,522,012.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

    - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was $20,099,903 at June 30, 2025, as reflected in the table below. Of this amount, $(106,939,152) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2025	2024	Net Change	2025	2024	Net Change
ASSETS						
Current and other assets	$ 117,821,934	$ 70,098,231	$ 47,723,703	$ 6,975,369	$ 6,278,009	$ 697,360
Capital assets	252,492,746	257,229,092	(4,736,346)	-	-	-
Total Assets	370,314,680	327,327,323	42,987,357	6,975,369	6,278,009	697,360
DEFERRED OUTFLOWS OF RESOURCES	25,324,762	26,232,853	(908,091)	1,403,625	1,527,456	(123,831)
LIABILITIES						
Current liabilities	27,641,415	33,555,698	(5,914,283)	1,079,258	1,727,566	(648,308)
Long-term liabilities	341,468,688	294,372,512	47,096,176	3,811,725	4,292,508	(480,783)
Total Liabilities	369,110,103	327,928,210	41,181,893	4,890,983	6,020,074	(1,129,091)
DEFERRED INFLOWS OF RESOURCES	9,905,325	9,765,036	140,289	12,122	146,671	(134,549)
NET POSITION						
Net investment in capital assets	83,474,259	81,438,025	2,036,234	-	-	-
Restricted	43,564,796	41,475,671	2,089,125	-	-	-
Unrestricted	(110,415,041)	(107,046,766)	(3,368,275)	3,475,889	1,638,720	1,837,169
Total Net Position	$ 16,624,014	$ 15,866,930	$ 757,084	$ 3,475,889	$ 1,638,720	$ 1,837,169

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly to illustrate total revenues and expenses for the year.

	Governmental Activities			Business-Type Activities		
	2025	2024	Net Change	2025	2024	Net Change
REVENUES						
Program revenues						
Charges for services	$ 7,105,579	$ 5,623,127	$ 1,482,452	$ 8,718,967	$ 6,830,328	$ 1,888,639
Operating grants and contributions	19,703,242	21,401,500	(1,698,258)	-	-	-
Capital grants and contributions	2,951,602	6,773,653	(3,822,051)	-	-	-
General revenues						
Property taxes	86,378,682	81,959,098	4,419,584	-	-	-
Unrestricted federal and state aid	8,518,691	12,228,463	(3,709,772)	-	-	-
Other	4,360,508	5,764,463	(1,403,955)	271,610	147,056	124,554
Total Revenues	129,018,304	133,750,304	(4,732,000)	8,990,577	6,977,384	2,013,193
EXPENSES						
Instruction	61,369,048	61,209,456	159,592	-	-	-
Instruction-related services	6,970,715	7,113,084	(142,369)	-	-	-
Pupil services	10,992,031	11,158,356	(166,325)	-	-	-
General administration	9,093,966	7,928,458	1,165,508	-	-	-
Plant services	10,372,233	10,219,599	152,634	-	-	-
Ancillary services	1,258,855	1,887,776	(628,921)	-	-	-
Debt service	9,440,835	12,249,868	(2,809,033)	-	-	-
Other outgo	778,615	943,029	(164,414)	-	-	-
Depreciation and amortization	8,030,123	6,875,288	1,154,835	-	-	-
Enterprise activities	62,183	23,399	38,784	7,153,408	5,787,327	1,366,081
Total Expenses	118,368,604	119,608,313	(1,239,709)	7,153,408	5,787,327	1,366,081
Change in net position	10,649,700	14,141,991	(3,492,291)	1,837,169	1,190,057	647,112
Net Position - Beginning, as Restated*	5,974,314	1,724,939	4,249,375	1,638,720	448,663	1,190,057
Net Position - Ending	$ 16,624,014	$ 15,866,930	$ 757,084	$ 3,475,889	$ 1,638,720	$ 1,837,169

**The beginning net position for the governmental activities was restated for 2024 and 2025.*

The cost of all governmental activities this year was $118,368,604 (refer to the table above). The amount that taxpayers ultimately financed for these activities through taxes was $83,378,682 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions. The cost of business-type activities for the year amounted to $7,153,408.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The table below presents the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2025	2024
Instruction	$ 43,092,865	$ 38,215,365
Instruction-related services	6,089,178	5,530,868
Pupil services	2,166,903	4,266,876
General administration	8,153,547	7,066,542
Plant services	10,283,841	10,113,856
Ancillary services	548,816	662,268
Debt service	9,440,835	12,249,868
Transfers to other agencies	739,890	805,703
Depreciation and amortization	8,030,123	6,801,796
Enterprise activities	62,183	23,399
Total	$ 88,608,181	$ 85,736,541

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $106,876,948, which is more than this year's restated beginning fund balance of $57,657,579. The District's General Fund had $5,972,962 less in operating revenues than expenditures for the year ended June 30, 2025. The District's Building Fund had $1,109,708 less in operating revenues than expenditures for the year ended June 30, 2025, offset by other financing sources of $50,000,000 due the issuance of general obligation bonds, for a net increase in fund balance of $48,890,292. The District's Bond Interest and Redemption Fund had $456,430 more in operating revenues than expenditures for the year ended June 30, 2025, in addition to other financing sources of $5,076,904 due the premium on issuance of general obligation bonds, for a total increase in fund balance of $5,533,334.

CURRENT YEAR BUDGET 2024-2025

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2024-2025 the District had invested $252,492,746 in capital assets, net of accumulated depreciation and amortization, related to governmental activities. There are no capital assets related to business-type activities.

	Governmental Activities		
	2025	2024	Net Change
CAPITAL ASSETS			
Land	$ 3,909,383	$ 3,909,383	$ -
Construction in progress	3,647,569	3,452,675	194,894
Land improvements	10,010,188	9,920,623	89,565
Buildings & improvements	325,125,924	319,841,612	5,284,312
Furniture & equipment	5,996,936	5,798,075	198,861
Less: Accumulated depreciation	(96,248,881)	(88,255,504)	(7,993,377)
Lease assets - furniture & equipment	208,531	208,531	-
Less: Accumulated amortization	(156,904)	(120,158)	(36,746)
Total	$ 252,492,746	$ 254,755,237	$ (2,262,491)

Long-Term Liabilities

At year-end, the District had $345,280,413 in long-term liabilities, an increase of approximately 13% from the prior year, after restatement, as shown in the table below. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities			Business-Type Activities		
	2025	2024	Net Change	2025	2024	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	$ 268,837,201	$ 231,764,178	$ 37,073,023	$ -	$ -	$ -
Leases	31,230	51,371	(20,141)	-	-	-
Compensated absences*	9,004,590	8,062,620	941,970	-	-	-
Total OPEB liability	3,046,435	2,771,042	275,393	-	-	-
Net pension liability	70,485,090	75,921,589	(5,436,499)	3,811,725	4,292,508	(480,783)
Less: current portion of long-term liabilities	(9,935,858)	(16,453,758)	6,517,900	-	-	-
Total	$ 341,468,688	$ 302,117,042	$ 39,351,646	$ 3,811,725	$ 4,292,508	$ (480,783)

**The amount previously reported for compensated absences at June 30, 2024 has been restated to reflect the District's implementation of GASB Statement 101 for the year ended June 30, 2025.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several economic and fiscal factors could influence the District's financial condition in the coming year, including continued enrollment declines, uncertain Federal and State revenues, high pension obligations, and a cooling California economy.

Long-Term Declining Enrollment

California's K–12 system continues to experience enrollment decline. Statewide enrollment fell another 0.5% in 2024–25 to about 5.8 million students, roughly 420,000 fewer than a decade ago. The Department of Finance projects an additional 586,000-student decline by 2033–34. Lower birth rates, high housing costs, and out-migration are key drivers, along with growing competition from charter and private schools. Because many costs—such as staffing and facilities—cannot easily adjust, revenue loss from declining Average Daily Attendance (ADA) creates structural fiscal challenges that require multi-year planning.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Revenue Uncertainties

- **Status of Proposition 98:** The 2025–26 State Budget sets the Proposition 98 guarantee at $114.6 billion, slightly below earlier projections. To maintain K–12 funding commitments amid weaker tax receipts, the State relied on reserve drawdowns, internal borrowing, and limited deferrals. The outlook remains fragile since Proposition 98 revenues are highly sensitive to income-tax and capital-gains fluctuations. A market slowdown could trigger future adjustments. The Legislative Analyst's Office urges districts to budget cautiously and preserve flexibility given ongoing volatility.
- **Federal Funding Uncertainties:** Federal funding for K–12 education remains uncertain heading into 2025–26. Several large federal programs—including Title I, Title II, IDEA, and after-school and enrichment grants—face potential reductions or delays under current federal budget proposals and continuing appropriations negotiations. The U.S. Department of Education has also paused or delayed disbursement of certain previously approved formula and competitive grants, creating short-term cash-flow and planning challenges for districts. Analyses by nonpartisan agencies such as the Congressional Budget Office and the Learning Policy Institute note that up to $5–6 billion in K-12 formula funds nationwide remain at risk of reduction or deferral if congressional appropriations are not finalized. While districts are expected to continue receiving baseline allocations during temporary funding resolutions, long-term federal support levels for education could decline modestly in real terms, requiring districts to plan for possible funding interruptions or reductions in future years.

Pension Liabilities and Employer Rates

The District participates in CalSTRS and CalPERS, both of which remain underfunded and continue to exert upward pressure on budgets. For 2025–26, the CalSTRS employer rate is 19.10%, and the CalPERS Schools Pool rate is 26.81%. These elevated rates—well above pre-2014 levels—will likely persist through the decade as both systems address unfunded liabilities. Districts must continue to account for escalating pension costs in long-range projections.

Economic and Market Conditions

California's economy has cooled following its post-pandemic rebound. High interest rates, weaker venture investment, and commercial-real-estate softness have slowed growth, especially in tech-dependent regions. The UCLA Anderson Forecast (Fall 2025) expects subdued growth into 2026, with unemployment near 5%. Inflation has eased, but interest-rate uncertainty continues to constrain housing and business investment.

Because the State's tax base depends heavily on capital-gains income, stock-market volatility remains a major risk to General Fund and Proposition 98 revenues. Fiscal advisors therefore recommend that districts maintain prudent reserves and avoid long-term commitments based on one-time revenue gains.

Summary

Declining enrollment, volatile revenues, persistent pension costs, and broader economic uncertainty all contribute to a challenging fiscal environment for California school districts. The District's 2025–26 budget reflects these conditions through conservative revenue assumptions, strong reserves, and continued monitoring of State fiscal trends.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Deputy Superintendent, at Manhattan Beach Unified School District, 325 South Peck Avenue, Manhattan Beach, California 90266.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 100,328,186	$ 6,966,901	$ 107,295,087
Accounts receivable	17,447,385	8,468	17,455,853
Inventory	42,435	-	42,435
Other current assets	3,928	-	3,928
Capital assets:			
Capital assets, not depreciated	7,556,952	-	7,556,952
Capital assets, net of accumulated depreciation	244,884,167	-	244,884,167
Lease assets, net of accumulated amortization	51,627	-	51,627
Total Assets	370,314,680	6,975,369	377,290,049
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	24,721,282	1,403,625	26,124,907
Deferred outflows related to OPEB	603,480	-	603,480
Total Deferred Outflows of Resources	25,324,762	1,403,625	26,728,387
LIABILITIES			
Accrued liabilities	16,191,468	624,580	16,816,048
Unearned revenue	1,514,089	454,678	1,968,767
Long-term liabilities, current portion	9,935,858	-	9,935,858
Long-term liabilities, non-current portion	341,468,688	3,811,725	345,280,413
Total Liabilities	369,110,103	4,890,983	374,001,086
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	8,675,444	12,122	8,687,566
Deferred inflows related to OPEB	1,229,881	-	1,229,881
Total Deferred Inflows of Resources	9,905,325	12,122	9,917,447
NET POSITION			
Net investment in capital assets	83,474,259	-	83,474,259
Restricted:			
Capital projects	12,644,239	-	12,644,239
Debt service	22,986,646	-	22,986,646
Educational programs	2,488,318	-	2,488,318
Food service	5,166,144	-	5,166,144
Associated student body	279,449	-	279,449
Unrestricted	(110,415,041)	3,475,889	(106,939,152)
Total Net Position	$ 16,624,014	$ 3,475,889	$ 20,099,903

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Total
GOVERNMENTAL ACTIVITIES							
Instruction	$ 61,369,048	$ 3,216,407	$ 12,108,174	$ 2,951,602	$ (43,092,865)		
Instruction-related services							
Instructional supervision and administration	1,327,395	26,279	206,760	-	(1,094,356)		
Instructional library, media, and technology	1,668,544	88,181	539,101	-	(1,041,262)		
School site administration	3,974,776	15,160	6,056	-	(3,953,560)		
Pupil services							
Home-to-school transportation	477,730	84,979	116,355	-	(276,396)		
Food services	2,444,291	1,667,882	3,268,234	-	2,491,825		
All other pupil services	8,070,010	952,243	2,735,435	-	(4,382,332)		
General administration							
Centralized data processing	1,151,161	-	-	-	(1,151,161)		
All other general administration	7,942,805	366,601	573,818	-	(7,002,386)		
Plant services	10,372,233	12,271	76,121	-	(10,283,841)		
Ancillary services	1,258,855	659,231	50,808	-	(548,816)		
Enterprise activities	62,183	-	-	-	(62,183)		
Interest on long-term debt	9,440,835	-	-	-	(9,440,835)		
Other outgo	778,615	16,345	22,380	-	(739,890)		
Depreciation (unallocated)	7,993,377	-	-	-	(7,993,377)		
Amortization (unallocated)	36,746	-	-	-	(36,746)		
Total Governmental Activities	$ 118,368,604	$ 7,105,579	$ 19,703,242	$ 2,951,602	(88,608,181)		
BUSINESS-TYPE ACTIVITIES							
Enterprise activities	$ 7,153,408	$ 8,718,967	$ -	$ -		$ 1,565,559	
Total Business-Type Activities	7,153,408	8,718,967	-	-		1,565,559	
Total School District	$ 125,522,012	$ 15,824,546	$ 19,703,242	$ 2,951,602			$ (87,042,622)
General revenues							
Taxes and subventions							
Property taxes, levied for general purposes					59,299,805	-	59,299,805
Property taxes, levied for debt service					24,522,486	-	24,522,486
Property taxes, levied for other specific purposes					2,556,391	-	2,556,391
Federal and state aid not restricted for specific purposes					8,518,691	-	8,518,691
Interest and investment earnings					1,262,745	214,713	1,477,458
Interagency revenues					44,268	-	44,268
Miscellaneous					3,053,495	56,897	3,110,392
Subtotal, General Revenue					99,257,881	271,610	99,529,491
CHANGE IN NET POSITION					10,649,700	1,837,169	12,486,869
Net Position - Beginning, as Restated					5,974,314	1,638,720	7,613,034
Net Position - Ending					$ 16,624,014	$ 3,475,889	$ 20,099,903

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 5,147,028	$ 48,449,483	$ 29,786,755	$ 16,905,747	$ 100,289,013
Accounts receivable	15,432,788	461,135	-	1,553,097	17,447,020
Stores inventory	12,425	-	-	30,010	42,435
Other current assets	3,928	-	-	-	3,928
Total Assets	$ 20,596,169	$ 48,910,618	$ 29,786,755	$ 18,488,854	$ 117,782,396
LIABILITIES					
Accrued liabilities	$ 9,099,172	$ 20,326	$ -	$ 271,861	$ 9,391,359
Unearned revenue	1,419,044	-	-	95,045	1,514,089
Total Liabilities	10,518,216	20,326	-	366,906	10,905,448
FUND BALANCES					
Nonspendable	22,425	-	-	32,116	54,541
Restricted	2,488,318	48,890,292	29,786,755	18,089,832	99,255,197
Unassigned	7,567,210	-	-	-	7,567,210
Total Fund Balances	10,077,953	48,890,292	29,786,755	18,121,948	106,876,948
Total Liabilities and Fund Balances	$ 20,596,169	$ 48,910,618	$ 29,786,755	$ 18,488,854	$ 117,782,396

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balance - Governmental Funds		$ 106,876,948
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets, lease assets, accumulated depreciation and accumulated amortization:		
Capital assets	$ 348,690,000	
Lease assets	208,531	
Accumulated depreciation	(96,248,881)	
Accumulated amortization (lease assets)	(156,904)	252,492,746
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(6,800,109)
Long-term liabilities:		
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:		
Total general obligation bonds	$ 268,837,201	
Leases	31,230	
Compensated absences	9,004,590	
Total OPEB liability	3,046,435	
Net pension liability	70,485,090	(351,404,546)
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 outflows of resources related to pensions	$ 24,721,282	
Deferred inflows of resources related to pensions	(8,675,444)	16,045,838

(continued on the following page)

The accompanying notes are an integral part of these financial statements.

Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 603,480	
Deferred inflows of resources related to OPEB	(1,229,881)	(626,401)
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		39,538
Total Net Position - Governmental Activities		$ 16,624,014

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 66,156,943	$ -	$ -	$ -	$ 66,156,943
Federal sources	2,028,362	-	-	632,071	2,660,433
Other state sources	12,623,776	-	40,059	5,535,965	18,199,800
Other local sources	20,263,097	(743,549)	25,167,153	3,124,540	47,811,241
Total Revenues	101,072,178	(743,549)	25,207,212	9,292,576	134,828,417
EXPENDITURES					
Current					
Instruction	68,062,144	-	-	-	68,062,144
Instruction-related services					
Instructional supervision and administration	1,475,174	-	-	-	1,475,174
Instructional library, media, and technology	1,708,495	-	-	-	1,708,495
School site administration	4,419,334	-	-	-	4,419,334
Pupil services					
Home-to-school transportation	477,730	-	-	-	477,730
Food services	-	-	-	2,509,921	2,509,921
All other pupil services	8,979,157	-	-	-	8,979,157
General administration					
Centralized data processing	1,210,190	-	-	-	1,210,190
All other general administration	8,113,887	-	-	151,474	8,265,361
Plant services	10,738,552	-	-	6,847	10,745,399
Facilities acquisition and construction	399,616	111,212	-	5,230,629	5,741,457
Ancillary services	662,105	-	-	625,000	1,287,105
Transfers to other agencies	239,241	-	-	-	239,241
Debt service					
Principal	20,141	-	11,763,529	-	11,783,670
Interest and other	539,374	254,947	12,987,253	-	13,781,574
Total Expenditures	107,045,140	366,159	24,750,782	8,523,871	140,685,952
Excess (Deficiency) of Revenues Over Expenditures	(5,972,962)	(1,109,708)	456,430	768,705	(5,857,535)
Other Financing Sources (Uses)					
Other sources	-	50,000,000	5,076,904	-	55,076,904
Net Financing Sources (Uses)	-	50,000,000	5,076,904	-	55,076,904
NET CHANGE IN FUND BALANCE	(5,972,962)	48,890,292	5,533,334	768,705	49,219,369
Fund Balance - Beginning, as Restated	16,050,915	-	24,253,421	17,353,243	57,657,579
Fund Balance - Ending	$ 10,077,953	$ 48,890,292	$ 29,786,755	$ 18,121,948	$ 106,876,948

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Governmental Funds		$ 49,219,369
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets, inlcuding lease assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets, including lease assets are allocated over their estimated useful lives as depreciation expense and amortization expense, respectively. The difference between capital outlay expenditures and depreciation expense and amortization expense for the period is:		
Expenditures for capital outlay:	$ 5,767,632	
Depreciation expense:	(7,993,377)	
Amortization expense (lease assets):	(36,746)	(2,262,491)
Debt service:		
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. Expenditures for repayment of the principal portion of long-term debt were:		21,866,389
Debt proceeds:		
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(55,076,904)
Unmatured interest on long-term debt:		
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 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:		(2,438,987)
Accreted interest on long-term debt:		
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.		(5,012,136)
Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:		(941,970)

(continued on the following page)

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2025

Postemployment benefits other than pensions (OPEB):		
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:		(68,668)
Pensions:		
In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		4,181,394
Amortization of debt issuance premium or discount:		
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:		1,169,769
Internal Service Funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		13,935
Change in Net Position of Governmental Activities	$	10,649,700

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Business-Type Activities	Governmental Activities
	Community Preschool Fund	Internal Service Fund
ASSETS		
Current assets		
Cash and investments	$ 6,966,901	$ 39,173
Accounts receivable	8,468	365
Total current assets	6,975,369	39,538
Total Assets	6,975,369	39,538
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,403,625	-
Total Deferred Outflows of Resources	1,403,625	-
LIABILITIES		
Current liabilities		
Accrued liabilities	624,580	-
Unearned revenue	454,678	-
Total current liabilities	1,079,258	-
Non-current liabilities		
Net pension liability	3,811,725	-
Total non-current liabilities	3,811,725	-
Total Liabilities	4,890,983	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	12,122	-
Total Deferred Inflows of Resources	12,122	-
NET POSITION		
Unrestricted	3,475,889	39,538
Total Net Position	$ 3,475,889	$ 39,538

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities	Governmental Activities
	Community Preschool Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	$ 8,718,967	$ -
Other local revenues	56,897	12,886
Total operating revenues	8,775,864	12,886
OPERATING EXPENSES		
Salaries and benefits	5,023,177	-
Supplies and materials	408,432	-
Professional services	1,721,799	-
Total operating expenses	7,153,408	-
Operating income/(loss)	1,622,456	12,886
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	214,713	1,049
Total non-operating revenues/(expenses)	214,713	1,049
CHANGE IN NET POSITION	1,837,169	13,935
Net Position - Beginning	1,638,720	25,603
Net Position - Ending	$ 3,475,889	$ 39,538

The accompanying notes are an integral part of these financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities	Governmental Activities
	Community Preschool Fund	Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	$ 8,718,967	$ -
Cash received (paid) from assessments made to (from) other funds	(872,495)	17,060
Cash payments for payroll, insurance, and operating costs	(7,358,676)	-
Net cash provided by (used for) operating activities	487,796	17,060
Cash flows from investing activities		
Interest received	214,713	1,049
Net cash provided by (used for) investing activities	214,713	1,049
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	702,509	18,109
CASH AND CASH EQUIVALENTS		
Beginning of year	6,264,392	21,064
End of year	$ 6,966,901	$ 39,173
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	$ 1,622,456	$ 12,886
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	5,149	4,174
(Increase) decrease in deferred outflows related to pensions	123,831	-
Increase (decrease) in accrued liabilities	286,233	-
Increase (decrease) in unearned revenue	(934,541)	-
Increase (decrease) in net pension liability	(480,783)	-
Increase (decrease) in deferred inflows related to pensions	(134,549)	-
Net cash provided by (used for) operating activities	$ 487,796	$ 17,060

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

County School Facilities Fund: This fund is established pursuant to *Education Code Section* 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section* 17070 et seq.).

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

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Community Preschool Fund: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Community Preschool and Extended Day Programs of the District.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section* 17566).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Proprietary Fund Financial Statements
The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified 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 a 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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 the 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue
Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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 expenditures 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.

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

Cash and Cash Equivalents
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

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

Leases Receivable
Leases receivable are measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectable amounts. An associated deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable, plus any prepayments at the beginning of the lease. The deferred inflow is amortized on a straight-line basis over the term of the lease.

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $10,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Included in capital assets are right to use lease assets as a result of implementing GASB Statement No. 87. The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings	20 to 50 Years
Improvements/Infrastructure	5 to 50 Years
Equipment	2 to 20 Years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

In accordance with GASB Statement No. 101, *Compensated Absences*, accumulated unpaid employee vacation and sick leave benefits are accrued as a liability in the government-wide financial statements as the benefits are earned, provided they accumulate and are more likely than not to be used or paid. The measurement of this liability includes estimated salary amounts and the employer's share of related taxes and benefits, as applicable, that are directly related to these compensated absences.

For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. For accumulated sick leave benefits, a liability is recognized for the portion that employees have earned and that are more likely than not to be used or paid. The District's policy for sick leave recognition aligns with this criterion, accruing the liability based on historical usage patterns and other relevant factors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2023
Measurement Date	June 20, 2024
Measurement Period	July 1, 2023 – June 30, 2024

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts
In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has implemented this Statement as of June 30, 2025.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures.* This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The District has implemented this Statement as of June 30, 2025.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Investment in county treasury	$ 98,849,474	$ 40,170	$ 98,889,644	$ 7,144,239
Fair value adjustment	(1,744,393)	(997)	(1,745,390)	(177,338)
Cash on hand and in banks	3,168,932	-	3,168,932	-
Cash in revolving fund	15,000	-	15,000	-
Total	$ 100,289,013	$ 39,173	$ 100,328,186	$ 6,966,901

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $104,111,155. The average weighted maturity for this pool is 556 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated.

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2025, the District's cash in bank balance was exposed to custodial credit risk amounting to $3,509,818 because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurement of $104,111,155 in the county treasury at June 30, 2025 is classified as uncategorized.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Federal Government						
Categorical aid	$ 2,305,419	$ -	$ 810,024	$ -	$ 3,115,443	$ -
State Government						
Apportionment	343,084	-	-	-	343,084	-
Categorical aid	3,539,602	-	-	-	3,539,602	-
Lottery	440,595	-	-	-	440,595	-
Local Government						
Other local sources	8,804,088	461,135	743,073	365	10,008,661	8,468
Total	$ 15,432,788	$ 461,135	$ 1,553,097	$ 365	$ 17,447,385	$ 8,468

NOTE 4 – CAPITAL ASSETS

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

	Restated Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated				
Land	$ 3,909,383	$ -	$ -	$ 3,909,383
Construction in progress	3,452,675	5,568,771	5,373,877	3,647,569
Total capital assets not being depreciated	7,362,058	5,568,771	5,373,877	7,556,952
Capital assets being depreciated				
Land improvements	9,920,623	89,565	-	10,010,188
Buildings & improvements	319,841,612	5,284,312	-	325,125,924
Furniture & equipment	5,798,075	198,861	-	5,996,936
Total capital assets being depreciated	335,560,310	5,572,738	-	341,133,048
Less: Accumulated depreciation				
Land improvements	4,956,849	325,558	-	5,282,407
Buildings & improvements	78,510,970	7,523,424	-	86,034,394
Furniture & equipment	4,787,685	144,395	-	4,932,080
Total accumulated depreciation	88,255,504	7,993,377	-	96,248,881
Total capital assets being depreciated, net	247,304,806	(2,420,639)	-	244,884,167
Lease assets being amortized				
Furniture & equipment	208,531	-	-	208,531
Total lease assets being amortized	208,531	-	-	208,531
Less: Accumulated amortization for lease assets				
Furniture & equipment	120,158	36,746	-	156,904
Total accumulated amortization for lease assets	120,158	36,746	-	156,904
Total lease assets being amortized, net	88,373	(36,746)	-	51,627
Governmental Activities				
Capital Assets, net	$ 254,755,237	$ 3,111,386	$ 5,373,877	$ 252,492,746

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2025 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities	Business-Type Activities
Payroll	$ 907,741	$ -	$ 8,145	$ -	$ 915,886	$ 95,800
Construction	-	20,326	140,624	-	160,950	-
Vendors payable	8,191,431	-	123,092	-	8,314,523	528,780
Unmatured interest	-	-	-	6,800,109	6,800,109	-
Total	$ 9,099,172	$ 20,326	$ 271,861	$ 6,800,109	$ 16,191,468	$ 624,580

NOTE 6 – UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Governmental Activities	Business-Type Activities
Federal sources	$ 75,397	$ 95,045	$ 170,442	$ -
State categorical sources	188,897	-	188,897	-
Local sources	1,154,750	-	1,154,750	454,678
Total	$ 1,419,044	$ 95,045	$ 1,514,089	$ 454,678

NOTE 7 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On September 11, 2024, the District issued $15,000,000 of Tax and Revenue Anticipation Notes bearing interest at 4.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 2, 2025. As of June 30, 2025, the District had paid off the notes.

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2025 consisted of the following:

	Restated Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 155,963,233	$ 50,000,000	$ 11,763,529	$ 194,199,704	$ 6,239,043
Unamortized premium	19,770,710	5,076,904	1,169,769	23,677,845	1,169,769
Accreted interest	56,030,235	5,012,136	10,082,719	50,959,652	-
Total general obligation bonds	231,764,178	60,089,040	23,016,017	268,837,201	7,408,812
Leases	51,371	-	20,141	31,230	19,866
Compensated absences*	8,062,620	941,970	-	9,004,590	2,507,180
Total OPEB liability	2,771,042	275,393	-	3,046,435	-
Net pension liability	75,921,589	-	5,436,499	70,485,090	-
Total	$ 318,570,800	$ 61,306,403	$ 28,472,657	$ 351,404,546	$ 9,935,858

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Balance Due In One Year
Business-Type Activities					
Net pension liability	$ 4,292,508	$ -	$ 480,783	$ 3,811,725	$ -
Total	$ 4,292,508	$ -	$ 480,783	$ 3,811,725	$ -

*The change in the compensated absences liability is preseted as a net change.

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for leases are made in the General Fund.

A. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Series	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2024	Additions	Deductions	Bonds Outstanding June 30, 2025
1995 Election, 1999 Series C	9/1/2024	3.50 - 5.87%	$ 5,000,040	$ 1,258,848	$ -	$ 1,258,848	$ -
1995 Election, 2001 Series D	9/1/2025	3.00 - 5.33%	5,148,769	2,081,937	-	266,572	1,815,365
2000 Election, 2021 Series A	9/1/2026	4.00 - 5.69%	21,513,829	1,720,658	-	688,001	1,032,657
2000 Election, 2002 Series B	9/1/2026	3.00 - 5.57%	4,485,101	949,208	-	174,636	774,572
1995 Election, 2002 Series E	9/1/2026	3.10 - 5.57%	5,940,925	3,902,116	-	55,472	3,846,644
2008 Election, 2009 Series A	9/1/2031	6.39 - 6.73%	7,651,589	7,651,589	-	-	7,651,589
2008 Election, 2010 Series B	9/1/2045	6.33 - 6.71%	9,738,877	9,738,877	-	-	9,738,877
2008 Election, 2011 Series C	9/1/2024	2.00 - 5.00%	12,270,000	795,000	-	795,000	-
2008 Election, 2012 Series E	9/1/2024	2.00 - 4.50%	9,930,000	2,260,000	-	2,260,000	-
2008 Election, 2013 Series F	9/1/2024	2.00 - 4.00%	22,625,000	2,955,000	-	2,955,000	-
2016 Election, Series A (Measure C)	9/1/2043	1.70 - 5.00%	42,000,000	29,475,000	-	310,000	29,165,000
2016 Election, Series A (Measure EE)	9/1/2046	1.70 - 5.00%	39,000,000	34,640,000	-	100,000	34,540,000
2016 Election, Series B (Measure C)	9/1/2045	0.20 - 4.00%	72,000,000	58,535,000	-	2,900,000	55,635,000
2024 Election, Series A	9/1/2047	5.00%	50,000,000	-	50,000,000	-	50,000,000
Total				$ 155,963,233	$ 50,000,000	$ 11,763,529	$ 194,199,704

Accreted Interest	Outstanding July 01, 2024	Additions	Deductions	Outstanding June 30, 2025
1995-C Accreted Interest	$ 6,331,990	$ 250,410	$ 6,582,400	$ -
1995-D Accreted Interest	5,251,819	384,488	698,428	4,937,879
2000-A Accreted Interest	5,228,436	349,866	2,176,999	3,401,303
2000-B Accreted Interest	2,508,287	188,991	480,364	2,216,914
1995-E Accreted Interest	9,801,764	796,279	144,528	10,453,515
2008-A Accreted Interest	12,811,837	1,425,459	-	14,237,296
2008-B Accreted Interest	14,096,102	1,616,643	-	15,712,745
Total	$ 56,030,235	$ 5,012,136	$ 10,082,719	$ 50,959,652

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

1995 Election, 1999 Series C Current Interest, and Capital Appreciation Bonds
On September 23, 1999, the District issued $990,000, Series C Current Interest Bonds, and $4,010,040, Series C Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize facilities within the District. The bonds mature on September 1, 2024 and yield an interest rate of 3.50 percent to 5.87 percent.

1995 Election, 2001 Series D Current Interest, and Capital Appreciation Bonds
On January 23, 2001, the District issued $885,000, Series D Current Interest Bonds, and $4,263,769, Series D Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize facilities within the District. The bonds mature on September 1, 2025 and yield an interest rate of 3.00 percent to 5.33 percent.

2000 Election, Series A Current Interest and Capital Appreciation Bonds
On May 3, 2001, the District issued $16,885,000, Series A Current Interest Bonds, and $4,628,829, Series A Capital Appreciation Bonds. Proceeds from the bonds were used for the purpose to modernize the high school within the District. The bonds have a final maturity date of September 1, 2026 and yield an interest rate of 4.00 percent to 5.69 percent. On March 2004, the District issued $18,400,000 of General Obligation Refunding Bonds to advance refund the $16,885,000 Current Interest Bonds. As a result, the $16,885,000 Series A Current Interest Bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying financial statements.

2000 Election, 2002 Series B Current Interest and Capital Appreciation Bonds
On January 23, 2002, the District issued $2,545,000, Series B Current Interest Bonds, and $1,940,101, Series B Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize one of the elementary schools within the District. The bonds mature on September 1, 2026 and yield an interest rate of 3.00 percent to 5.57 percent.

1995 Election, 2002 Series E Current Interest, and Capital Appreciation Bonds
On January 23, 2002, the District issued $1,415,000, Series E Current Interest Bonds, and $4,525,925, Series E Capital Appreciation Bonds. Proceeds from the bonds will be used to modernize one of the elementary schools within the District. The bonds mature on September 1, 2026 and yield an interest rate of 3.10 percent to 5.57 percent.

2008 Election, 2009 Series A Capital Appreciation Bonds
On June 23, 2009, the District issued $7,651,589 in 2009 Series A, Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to finance the rehabilitation of District buildings, and prepayment of certain lease payments related to Certificates of Participation. The bonds mature on September 1, 2031 and yield an interest rate of 6.39 percent to 6.73 percent.

2008 Election, 2010 Series B Capital Appreciation Bonds
On June 23, 2010, the District issued $9,738,877 in 2010 Series B, Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to finance the rehabilitation of District buildings and prepayment of certain lease payments related to Certificates of Participation. The bonds mature on September 1, 2045 and yield an interest rate of 6.33 percent to 6.71 percent.

2008 Election, 2011 Series C Current Interest Bonds
On June 30, 2011, the District issued $12,270,000, Series C Current Interest Bonds. Proceeds from the bonds will be used for the purpose to finance the rehabilitation of District's High School and the payment of certain lease payments to the Certificate of Participation Series A of 2011. The bonds mature on September 1, 2024 and yield an interest rate of 2.00 percent to 5.00 percent.

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

2008 Election, 2012 Series E Current Interest Bonds
On February 29, 2012, the District issued $9,930,000, Series E Current Interest Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to the District's high school and to defease the District's outstanding Certificate of Participation Series A of 2011. The bonds mature on September 1, 2024 and yield an interest rate of 2.00 percent to 4.50 percent.

2008 Election, Series F Current Interest Bonds
On May 23, 2013, the District issued $22,625,000, Series F Current Interest Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to the District's high school. The bonds mature on September 1, 2024 and yield an interest rate of 2.00 percent to 4.00 percent.

2016 Election, Series A (Measure C) General Obligation Bonds
On May 9, 2018, the District issued $42,000,000, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to and the acquisition of equipment for one or more schools within the District and the repayment of a prior loan that financed energy improvements. The bonds mature on September 1, 2043 and yield an interest rate of 1.70 percent to 5.00 percent.

2016 Election, Series A (Measure EE) General Obligation Bonds
On May 9, 2018, the District issued $39,000,000, Series A General Obligation Bonds. Proceeds from the bonds will be used for the replacement of Mira Costa High School gymnasium, by constructing and equipping a new gymnasium, physical education and activities center, including adding instructional space and bathrooms, air conditioning, heating, electrical, and plumbing systems. The bonds mature on September 1, 2046 and yield an interest rate of 1.70 percent to 5.00 percent.

2016 Election, Series B (Measure C) General Obligation Bonds
On August 26, 2020, the District issued $72,000,000, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to and the acquisition of equipment for one or more schools within the District and the repayment of a prior loan that financed energy improvements. The bonds mature on September 1, 2045 and yield an interest rate of 0.20 percent to 4.00 percent.

2024 Election, Series A General Obligation Bonds
On March 26, 2025, the District issued $50,000,000, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to and the acquisition of equipment for various schools within the District. The bonds mature on September 1, 2047 and yield an interest rate of 5.00 percent.

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

Debt service payments are made from property tax levy authorized by the voters.

The annual requirements to amortize these bonds and the remaining outstanding balance are as follows:

Year Ended June 30,	Principal	Interest	Total
2026	$ 6,239,043	$ 20,400,327	$ 26,639,370
2027	8,945,194	15,608,576	24,553,770
2028	13,536,380	11,185,115	24,721,495
2029	13,705,485	10,532,335	24,237,820
2030	4,423,581	10,290,064	14,713,645
2031 - 2035	24,388,858	42,071,818	66,460,676
2036 - 2040	36,047,819	33,029,906	69,077,725
2041 - 2045	58,838,539	25,386,236	84,224,775
2046 - 2048	28,074,805	4,754,544	32,829,349
Accretion	50,959,652	(50,959,652)	-
Total	$ 245,159,356	$ 122,299,269	$ 367,458,625

B. Leases

The District has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreements were executed from January 2018 to April 2022 to lease 18 copy machines and requires 60 monthly payments of $3,690. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.25%, which is prime bank loan rate. As a result of the lease, the District recorded a right to use leased asset with a net book value of $51,627 at June 30, 2025.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Year Ended June 30,	Principal	Interest	Total
2026	$ 19,866	$ 721	$ 20,587
2027	11,364	122	11,486
Total	$ 31,230	$ 843	$ 32,073

C. Compensated Absences

The restated beginning compensated absences balance was $8,062,620 and increased by a net amount of $941,970 during the year ended June 30, 2025. The ending compensated absences at June 30, 2025 amounted to $9,004,590. This amount is included as part of long-term liabilities in the government-wide financial statements.

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Other Postemployment Benefits

The District's beginning total OPEB liability was $2,771,042 and increased by $275,393 during the year ended June 30, 2025. The ending total OPEB liability at June 30, 2025 was $3,046,435. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's combined beginning net pension liability was $80,214,097 and decreased by $5,917,282 during the year ended June 30, 2025. The ending net pension liability at June 30, 2025 was $74,296,815. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2025:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 10,000	$ -	$ -	$ 7,452	$ 17,452
Stores inventory	12,425	-	-	24,664	37,089
Total non-spendable	22,425	-	-	32,116	54,541
Restricted					
Educational programs	2,488,318	-	-	-	2,488,318
Food service	-	-	-	5,166,144	5,166,144
Associated student body	-	-	-	279,449	279,449
Capital projects	-	48,890,292	-	12,644,239	61,534,531
Debt service	-	-	29,786,755	-	29,786,755
Total restricted	2,488,318	48,890,292	29,786,755	18,089,832	99,255,197
Unassigned	7,567,210	-	-	-	7,567,210
Total	$ 10,077,953	$ 48,890,292	$ 29,786,755	$ 18,121,948	$ 106,876,948

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than five percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Manhattan Beach Unified School District's defined benefit OPEB plan, Manhattan Beach Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

The District provides an annual contribution of $400 to eligible retirees who elect coverage on the District's medical plan. The benefit continues for 5 years, but not beyond the earlier of the retiree's death or age 65. When the subsidy ends, the retiree may elect to continue his or her medical coverage as described under "Access to Coverage".

There are 4 current retirees entitled to a different subsidy from the District:

- 4 retirees from South Bay Union High School receive lifetime benefits of (a) fully paid District dental and/or vision coverage and (b) up to $3,186.50 per year toward medical coverage.

C. Access to Coverage

This coverage is available for employees who retire from the District with PERS or STRS at age 55 or older having completed at least 15 years of District service. If a retiree does not meet these requirements, he or she is not eligible for continuation of healthcare through the District beyond what COBRA or Cal-COBRA offers. Upon eligibility for Medicare, coverage under the plans available to active employees and pre-Medicare retirees ends and, instead, retirees have the option to join a Secure Horizons plan made available through the District. Dependents and/or survivors of eligible retirees are also eligible for coverage.

D. Contributions

For the measurement period, the District contributed $75,565 to the Plan, all of which was used for current premiums. There is no actuarially determined contribution, nor any contribution requirement established by statute or contract. The District's contribution is currently based on a projected pay as-you-go funding method, that is, benefits are payable when due.

E. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	12
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	628
Total number of participants**	640

*Information not provided

**As of the June 30, 2023 valuation date

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Total OPEB Liability

The Manhattan Beach Unified School District's total OPEB liability of $3,046,435 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

G. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2025 was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date.

Economic assumptions:

Inflation	2.50%
Salary increases	3.00%
Discount rate	3.93%
Healthcare cost trend rate	6.50%

Demographic assumptions:

For CalPERS members: On the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements.

For CalSTRS members: On the 2024 CalSTRS experience report, the representative mortality rates were those published by CalSTRS in the 2024 study before projection; we applied the mortality improvement described below.

Mortality Improvement: MacLeod Watts Scale 2022 applied generationally, from 2017 for CalPERS members and from 2020 for CalSTRS members.

Retirement rates:

Certificated	CalSTRS Retirement Rates Table
Classified	CalPERS Retirement Rates for School Employees Table

The actuarial assumptions used in the June 30, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023.

The District is currently financing its OPEB liability on pay-as-you-go basis. The discount rates used in the valuation are based on the Fidelity Municipal Bond AA 20 Year Maturity Yield Index.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Changes in Total OPEB Liability

	June 30, 2025
Total OPEB Liability	
Service cost	$ 183,728
Interest on total OPEB liability	112,596
Difference between expected and actual experience	71,205
Changes of assumptions	(16,571)
Benefits payments	(75,565)
Net change in total OPEB liability	275,393
Total OPEB liability - beginning	2,771,042
Total OPEB liability - ending	$ 3,046,435
Covered-employee payroll	$ 59,645,171
District's total OPEB liability as a percentage of covered-employee payroll	5.11%

I. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (2.93%)	Valuation Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	$ 3,289,974	$ 3,046,435	$ 2,817,339

J. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Manhattan Beach Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease (5.50%)	Healthcare Cost Trend Rate (6.50%)	1% Increase (7.50%)
Total OPEB liability	$ 2,709,325	$ 3,046,435	$ 3,444,142

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

K. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Manhattan Beach Unified School District recognized OPEB expense of $178,664. At June 30, 2025, the Manhattan Beach Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 147,540	$ 255,661
Changes in assumptions	345,944	974,220
District contributions subsequent to the measurement date	109,996	-
Total	$ 603,480	$ 1,229,881

The $109,996 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2026	$ (117,660)
2027	(117,660)
2028	(117,660)
2029	(117,660)
2030	(117,519)
Thereafter	(148,238)
Total	$ (736,397)

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
CalSTRS Pension	$ 43,501,783	$ 17,395,548	$ 6,841,965	$ 5,037,803
CalPERS Pension	30,795,032	8,729,359	1,845,601	2,186,021
Total	$ 74,296,815	$ 26,124,907	$ 8,687,566	$ 7,223,824

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2025, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2025 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $7,667,689 for the year ended June 30, 2025.

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 of approximately $4,030,082 to CalSTRS.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	43,501,783
State's proportionate share of the net pension liability associated with the District		19,959,074
Total	$	63,460,857

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.065 percent, which was an increase of 0.004 from its proportion measured as of June 30, 2023.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2025, the District recognized pension expense of $5,037,803. In addition, the District recognized pension expense and revenue of $(1,780,031) for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 175,528
Differences between expected and actual experience	4,920,612	1,902,308
Changes in assumptions	190,425	2,971,021
Changes in proportion and differences between District contributions and proportionate share of contributions	4,616,822	1,793,108
District contributions subsequent to the measurement date	7,667,689	-
Total	$ 17,395,548	$ 6,841,965

The $7,667,689 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 2,366,588	$ 4,750,870
2027	2,353,545	(1,873,254)
2028	1,866,255	1,838,581
2029	1,728,355	1,134,131
2030	1,028,793	494,846
2031	384,323	496,791
Total	$ 9,727,859	$ 6,841,965

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Growth	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2021 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

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. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	38%	5.25%
Real Estate	15%	4.05%
Private Equity	14%	6.75%
Fixed Income	14%	2.45%
Risk Mitigating Strategies	10%	2.25%
Inflation Sensitive	7%	3.65%
Cash/Liquidity	2%	0.05%
	100%	

*Real return is net of assumed 2.75% inflation.

NOTE 11 – PENSION PLANS (continued)

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

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 Plan'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 District's 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 of 7.10 percent, 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 77,375,437	$ 43,501,783	$ 15,215,876

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The 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. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate annual comprehensive 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 Q Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2025 was 27.05% of annual payroll. Contributions to the plan from the District were $4,229,030 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of $30,795,032 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.086 percent, which was a decrease of 0.006 percent from its proportion measured as of June 30, 2023.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2025, the District recognized pension expense of $2,186,021. 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
Differences between projected and actual earnings on plan investments	$ 1,196,209	$ -
Differences between expected and actual experience	2,581,713	220,399
Changes in assumptions	680,674	-
Changes in proportion and differences between District contributions and proportionate share of contributions	41,733	1,625,202
District contributions subsequent to the measurement date	4,229,030	-
Total	$ 8,729,359	$ 1,845,601

The $4,229,030 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 1,941,468	$ 1,599,634
2027	2,822,364	734,822
2028	301,213	-
2029	(564,716)	(488,855)
Total	$ 4,500,329	$ 1,845,601

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)
The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.54%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	100.0%	

*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate
The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

Sensitivity of the District's 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 of 6.90 percent, 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 45,746,277	$ 30,795,032	$ 18,444,114

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2025, the District had commitments with respect to unfinished capital projects of $168,790.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), Schools' Excess Liability Fund (SELF), and the Centinela South Bay Self-Insurance Authority (CSBSIA) joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2025, total deferred outflows related to pensions was $26,124,907 and total deferred inflows related to pensions was $8,687,566.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2025, total deferred outflows related to other postemployment benefits was $603,480 and total deferred inflows related to other postemployment benefits was $1,229,881.

NOTE 15 – RESTATEMENT OF FUND BALANCE AND NET POSITION

The beginning net position of the Governmental Activities has been restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, as well as a restatement to accurately reflect activity from the prior period. GASB 101 establishes recognition and measurement guidance for liabilities related to compensated absences, requiring that the liability be recognized when leave is attributable to services already rendered and it is probable that the leave will be used or paid. Additionally, the beginning fund balances of the Student Activity Fund, Cafeteria Fund, Building Fund, and County School Facilities Fund have been restated in order to more accurately reflect the substance of transactions that occurred in the prior year.

The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 15,866,930
Restatement	(9,892,616)
Net Position - Beginning, as Restated	$ 5,974,314

The effect on beginning fund balance is presented as follows:

	Student Activity Fund	Cafeteria Fund	Building Fund	County School Facilities Fund
Fund Balance - Beginning, as Previously Reported	$ 162,205	$ 4,024,006	$ (5,753)	$ 9,144,848
Restatement	97,244	228,525	5,753	(5,753)
Fund Balance - Beginning, as Restated	$ 259,449	$ 4,252,531	$ -	$ 9,139,095

NOTE 16 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On September 17, 2025, the District issued $17,000,000 of Tax and Revenue Anticipation Notes bearing interest at 4.00 percent. The notes were issued to supplement cash flows.

REQUIRED SUPPLEMENTARY INFORMATION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 66,436,286	$ 67,191,010	$ 66,156,943	$ (1,034,067)
Federal sources	2,108,075	2,070,055	2,028,362	(41,693)
Other state sources	12,302,681	12,112,948	12,623,776	510,828
Other local sources	16,057,605	19,922,351	20,263,097	340,746
Total Revenues	96,904,647	101,296,364	101,072,178	(224,186)
EXPENDITURES				
Certificated salaries	39,555,302	42,263,378	41,899,860	363,518
Classified salaries	16,800,158	17,447,691	16,626,485	821,206
Employee benefits	26,928,663	27,516,542	26,962,172	554,370
Books and supplies	3,414,117	4,148,556	3,699,276	449,280
Services and other operating expenditures	11,740,487	16,513,716	17,294,358	(780,642)
Capital outlay	250,000	505,775	400,686	105,089
Other outgo				
Excluding transfers of indirect costs	391,000	482,506	239,241	243,265
Transfers of indirect costs	(75,000)	(75,000)	(76,938)	1,938
Total Expenditures	99,004,727	108,803,164	107,045,140	1,758,024
NET CHANGE IN FUND BALANCE	(2,100,080)	(7,506,800)	(5,972,962)	1,533,838
Fund Balance - Beginning	16,050,915	16,050,915	16,050,915	-
Fund Balance - Ending	$ 13,950,835	$ 8,544,115	$ 10,077,953	$ 1,533,838

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance as audit reclassifications are not reflected in this schedule.

See accompanying notes to required supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability								
Service cost	$ 183,728	$ 146,955	$ 193,097	$ 160,441	$ 137,992	$ 194,091	$ 198,537	$ 216,525
Interest on total OPEB liability	112,596	93,411	53,358	65,739	78,198	124,952	127,878	104,044
Difference between expected and actual experience	71,205	97,317	-	(290,935)	-	(106,938)	-	-
Changes of assumptions	(16,571)	106,396	(347,496)	262,075	126,794	(933,741)	(283,577)	(186,890)
Benefits payments	(75,565)	(115,093)	(85,711)	(182,587)	(178,537)	(172,717)	(184,816)	(163,712)
Net change in total OPEB liability	275,393	328,986	(186,752)	14,733	164,447	(894,353)	(141,978)	(30,033)
Total OPEB liability - beginning	2,771,042	2,442,056	2,628,808	2,614,075	2,449,628	3,343,981	3,485,959	3,515,992
Total OPEB liability - ending	$ 3,046,435	$ 2,771,042	$ 2,442,056	$ 2,628,808	$ 2,614,075	$ 2,449,628	$ 3,343,981	$ 3,485,959
Covered-employee payroll	$ 59,645,171	$ 57,451,177	$ 55,079,378	$ 51,461,303	$ 53,127,738	$ 45,728,527	$ 42,262,468	$ 46,206,711
District's total OPEB liability as a percentage of covered-employee payroll	5.11%	4.82%	4.43%	5.11%	4.92%	5.36%	7.91%	7.54%

See accompanying notes to required supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability	0.065%	0.061%	0.063%	0.063%	0.068%	0.065%	0.063%	0.065%	0.061%	0.074%
District's proportionate share of the net pension liability	$ 43,501,783	$ 46,739,675	$ 43,446,525	$ 28,750,817	$ 65,785,522	$ 58,604,125	$ 58,209,722	$ 59,813,137	$ 49,543,841	$ 49,516,734
State's proportionate share of the net pension liability associated with the District	19,959,074	22,394,698	21,758,147	17,025,326	34,112,216	35,830,399	34,430,643	37,741,914	30,641,912	31,719,583
Total	$ 63,460,857	$ 69,134,373	$ 65,204,672	$ 45,776,143	$ 99,897,738	$ 94,434,524	$ 92,640,365	$ 97,555,051	$ 80,185,753	$ 81,236,317
District's covered payroll	$ 41,865,742	$ 39,808,473	$ 36,640,496	$ 35,032,091	$ 36,640,579	$ 35,830,399	$ 33,958,136	$ 33,420,660	$ 30,148,276	$ 30,719,583
District's proportionate share of the net pension liability as a percentage of its covered payroll	103.91%	117.41%	118.58%	82.07%	179.54%	163.56%	171.42%	178.97%	164.33%	161.19%
Plan fiduciary net position as a percentage of the total pension liability	83.60%	80.60%	81.20%	87.20%	71.80%	72.60%	71.00%	69.45%	70.04%	74.02%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability	0.086%	0.092%	0.100%	0.101%	0.111%	0.108%	0.101%	0.097%	0.100%	0.976%
District's proportionate share of the net pension liability	$ 30,795,032	$ 33,474,422	$ 34,445,452	$ 20,606,003	$ 34,076,077	$ 31,475,048	$ 26,949,048	$ 23,129,918	$ 19,759,781	$ 14,380,466
District's covered payroll	$ 17,779,428	$ 17,322,425	$ 15,425,364	$ 14,559,888	$ 15,989,240	$ 15,074,471	$ 13,349,263	$ 12,347,667	$ 10,593,053	$ 9,619,675
District's proportionate share of the net pension liability as a percentage of its covered payroll	173.21%	193.24%	223.30%	141.53%	213.12%	208.80%	201.88%	187.32%	186.54%	149.49%
Plan fiduciary net position as a percentage of the total pension liability	72.30%	70.00%	69.80%	81.00%	70.00%	70.00%	70.80%	71.87%	73.89%	79.42%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	$ 7,667,689	$ 7,608,781	$ 7,454,275	$ 6,199,572	$ 5,657,683	$ 6,265,539	$ 5,833,189	$ 4,900,159	$ 4,204,319	$ 3,234,910
Contributions in relation to the contractually required contribution*	(7,667,689)	(7,608,781)	(7,454,275)	(6,199,572)	(5,657,683)	(6,265,539)	(5,833,189)	(4,900,159)	(4,204,319)	(3,234,910)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 40,144,969	$ 41,865,742	$ 39,808,473	$ 36,640,496	$ 35,032,091	$ 36,640,579	$ 35,830,399	$ 33,958,136	$ 33,420,660	$ 30,148,276
Contributions as a percentage of covered payroll	19.10%	18.17%	18.73%	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	$ 4,229,030	$ 3,981,698	$ 3,716,050	$ 3,533,951	$ 3,013,897	$ 3,153,238	$ 2,722,751	$ 2,073,274	$ 1,714,844	$ 1,254,959
Contributions in relation to the contractually required contribution*	(4,229,030)	(3,981,698)	(3,716,050)	(3,533,951)	(3,013,897)	(3,153,238)	(2,722,751)	(2,073,274)	(1,714,844)	(1,254,959)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 15,634,122	$ 17,779,428	$ 17,322,425	$ 15,425,364	$ 14,559,888	$ 15,989,240	$ 15,074,471	$ 13,349,263	$ 12,347,667	$ 10,593,053
Contributions as a percentage of covered payroll	27.05%	22.39%	21.45%	22.91%	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation.

Changes in Assumptions

The discount rate changed from 3.86% to 3.93% since the previous measurement period.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS or CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS or CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2025, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Services and other operating expenditures	$ 16,513,716	$ 17,294,358	$ 780,642

SUPPLEMENTARY INFORMATION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 152,572
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	47,055
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	2,455
Special Education Cluster **[1]**			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,616,583
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	71,791
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	63,487
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	74,419
Subtotal Special Education Cluster			1,826,280
Total U. S. Department of Education			2,028,362
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	144,990
National School Lunch Program	10.555	13391	309,857
USDA Commodities **[2]**	10.555	*	157,581
Subtotal Child Nutrition Cluster			612,428
NSLP Equipment Assistance Grants	10.579	14906	19,643
Total U. S. Department of Agriculture			632,071
Total Federal Expenditures			$ 2,660,433

[1] - Major Program
[2] - In-Kind Contribution
***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2025

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,443.23	1,450.86
Extended Year Special Education	2.62	2.62
Total TK/K through Third	1,445.85	1,453.48
Fourth through Sixth		
Regular ADA	1,104.71	1,107.34
Extended Year Special Education	1.35	1.35
Special Education - Nonpublic Schools	0.87	0.94
Extended Year Special Education - Nonpublic Schools	0.10	0.10
Total Fourth through Sixth	1,107.03	1,109.73
Seventh through Eighth		
Regular ADA	743.09	745.51
Extended Year Special Education	0.79	0.79
Special Education - Nonpublic Schools	1.05	1.04
Extended Year Special Education - Nonpublic Schools	0.13	0.13
Total Seventh through Eighth	745.06	747.47
Ninth through Twelfth		
Regular ADA	2,370.45	2,369.35
Extended Year Special Education	2.46	2.46
Special Education - Nonpublic Schools	2.65	3.41
Extended Year Special Education - Nonpublic Schools	0.42	0.42
Total Ninth through Twelfth	2,375.98	2,375.64
TOTAL SCHOOL DISTRICT	5,673.92	5,686.32

See accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2025

Grade Level	Minutes Requirement	Actual Instructional Minutes	Number of Days	Status
Kindergarten	36,000	42,405	180	Complied
Grade 1	50,400	50,870	180	Complied
Grade 2	50,400	50,870	180	Complied
Grade 3	50,400	50,800	180	Complied
Grade 4	54,000	54,240	180	Complied
Grade 5	54,000	54,240	180	Complied
Grade 6	54,000	63,178	180	Complied
Grade 7	54,000	63,178	180	Complied
Grade 8	54,000	63,178	180	Complied
Grade 9	64,800	64,997	180	Complied
Grade 10	64,800	64,997	180	Complied
Grade 11	64,800	64,997	180	Complied
Grade 12	64,800	64,997	180	Complied

See accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

	2026 (Budget)	2025	2024	2023
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	$ 103,067,435	$ 101,072,178	$ 100,855,218	$ 102,203,789
Expenditures And Other Financing Uses	104,591,113	107,045,140	100,919,788	99,134,373
Net change in Fund Balance	$ (1,523,678)	$ (5,972,962)	$ (64,570)	$ 3,069,416
Ending Fund Balance	$ 8,554,275	$ 10,077,953	$ 16,057,992	$ 16,122,164
Available Reserves*	$ 5,195,843	$ 7,567,210	$ 11,455,950	$ 10,288,749
Available Reserves As A Percentage Of Outgo	4.97%	7.07%	11.35%	10.38%
Long-term Liabilities	$ 305,389,771	$ 305,389,771	$ 310,826,270	$ 317,493,918
Average Daily Attendance At P-2	5,755	5,674	5,673	5,617

The General Fund ending fund balance has decreased by $6,044,211 over the past two years. The fiscal year 2025-26 budget projects an additional decrease of $1,523,678. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2025-26 fiscal year. Total long-term obligations have decreased by $12,104,147 over the past two years.

Average daily attendance has increased by 57 ADA over the past two years. An additional increase of 81 ADA is anticipated during the 2025-26 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

See accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

	Cafeteria Fund	County School Facilities Fund	Bond Interest and Redemption Fund
June 30, 2025, annual financial and budget report fund balance	$ 4,457,918	$ 6,902,002	$ 21,479,877
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Cash in county treasury	-	-	8,306,878
Cash in county treasury - Fair value adjustment (GASB 31)	-	425,261	-
Cash in banks	119,886	-	-
Revolving cash	(2,452)	-	-
Accounts receivable	316,593	-	-
Inventory	5,346	-	-
Accrued liabilities	190,185	-	-
Unearned revenue	105,784	-	-
Net adjustments and reclassifications	735,342	425,261	8,306,878
June 30, 2025, audited financial statement fund balance	$ 5,193,260	$ 7,327,263	$ 29,786,755

	Community Preschool Fund
June 30, 2025, annual financial and budget report net position	$ 5,751,793
Adjustments and reclassifications:	
Increase (decrease) in total net position:	
Cash in county treasury - Fair value adjustment (GASB 31)	144,318
Net pension liability (GASB 68)	(3,811,725)
Deferred outflows related to pensions (GASB 68)	1,403,625
Deferred inflows related to pensions (GASB 68)	(12,122)
Net adjustments and reclassifications	(2,275,904)
June 30, 2025, audited financial statement net position	$ 3,475,889

See accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2025

The District does not sponsor any charter schools.

See accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2025

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS						
Cash and investments	$ 284,449	$ 3,946,539	$ 4,350,135	$ 7,401,756	$ 922,868	$ 16,905,747
Accounts receivable	-	1,438,739	41,119	66,131	7,108	1,553,097
Stores inventory	-	30,010	-	-	-	30,010
Total Assets	$ 284,449	$ 5,415,288	$ 4,391,254	$ 7,467,887	$ 929,976	$ 18,488,854
LIABILITIES						
Accrued liabilities	$ -	$ 126,983	$ -	$ 140,624	$ 4,254	$ 271,861
Unearned revenue	-	95,045	-	-	-	95,045
Total Liabilities	-	222,028	-	140,624	4,254	366,906
FUND BALANCES						
Non-spendable	5,000	27,116	-	-	-	32,116
Restricted	279,449	5,166,144	4,391,254	7,327,263	925,722	18,089,832
Total Fund Balances	284,449	5,193,260	4,391,254	7,327,263	925,722	18,121,948
Total Liabilities and Fund Balances	$ 284,449	$ 5,415,288	$ 4,391,254	$ 7,467,887	$ 929,976	$ 18,488,854

See accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES						
Federal sources	$ -	$ 632,071	$ -	$ -	$ -	$ 632,071
Other state sources	-	2,655,536	-	2,880,429	-	5,535,965
Other local sources	650,000	239,981	1,531,770	496,433	206,356	3,124,540
Total Revenues	650,000	3,527,588	1,531,770	3,376,862	206,356	9,292,576
EXPENDITURES						
Current						
Pupil services						
Food services	-	2,509,921	-	-	-	2,509,921
General administration						
All other general administration	-	76,938	74,536	-	-	151,474
Plant services	-	-	-	-	6,847	6,847
Facilities acquisition and construction	-	-	32,135	5,188,694	9,800	5,230,629
Ancillary services	625,000	-	-	-	-	625,000
Total Expenditures	625,000	2,586,859	106,671	5,188,694	16,647	8,523,871
NET CHANGE IN FUND BALANCE	25,000	940,729	1,425,099	(1,811,832)	189,709	768,705
Fund Balance - Beginning, as Restated	259,449	4,252,531	2,966,155	9,139,095	736,013	17,353,243
Fund Balance - Ending	$ 284,449	$ 5,193,260	$ 4,391,254	$ 7,327,263	$ 925,722	$ 18,121,948

See accompanying notes to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the de minimis indirect cost rate of up to 15 percent.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

These statements provide information on the District’s non-major funds.

OTHER INFORMATION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2025

The Manhattan Beach Unified School District was established in 1912, and unified in 1993, and consists of an area comprising approximately 3.88 square miles in the southwestern portion of the County of Los Angeles, and is conterminous with the City of Manhattan Beach. The District operates five elementary schools, one middle school, and one high school. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
Wysh Weinstein	President	November 2026
Tina Shivpuri	Vice President	November 2026
Jen Dohner	Clerk	November 2028
Jen Fenton	Member	November 2026
Cathey Graves	Member	November 2028

DISTRICT ADMINISTRATORS

John Bowes, Ed.D.
Superintendent

Dawnalyn Murakawa-Leopard, Ed.D.
Deputy Superintendent

Irene Gonzalez-Castillo, Ed.D.
Assistant Superintendent Educational Services

Kelli Keller
Assistant Superintendent, Human Resources

Hibah Samad
Public Information Officer

OTHER INDEPENDENT AUDITORS' REPORTS

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*

Independent Auditors' Report

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, 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, business-type activities, each major fund, and the aggregate remaining fund information of Manhattan Beach Unified School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Manhattan Beach Unified School District's basic financial statements, and have issued our report thereon dated January 14, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manhattan Beach Unified School 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 Manhattan Beach Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Manhattan Beach Unified School 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding #2025-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manhattan Beach Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Manhattan Beach Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Manhattan Beach Unified School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Manhattan Beach Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



San Diego, California
January 14, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Manhattan Beach Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Manhattan Beach Unified School District's major federal programs for the year ended June 30, 2025. Manhattan Beach Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Auditor's Responsibilities for the Audit for Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Manhattan Beach Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Manhattan Beach Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Manhattan Beach Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Manhattan Beach Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Manhattan Beach Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Diego, California
January 14, 2026

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

Report on State Compliance

Opinion on State Compliance

We have audited Manhattan Beach Unified School District's compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Manhattan Beach Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2025.

In our opinion, Manhattan Beach Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2025.

Basis for Opinion on State Compliance

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 K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State Compliance

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the K-12 Audit Guide, 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 Manhattan Beach Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Manhattan Beach Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Manhattan Beach Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Manhattan Beach Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools or Programs	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because ADA was not material.

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 by those charged with governance.

Report on Internal Control Over Compliance (continued)

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 14, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

AL Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster

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

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with *2024-25 Guide for Annual Audits of California K-12 Local Education Agencies* ?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2025-001: INTERNAL CONTROL OVER FINANCIAL REPORTING – MATERIAL WEAKNESS (30000)

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition: During our substantive testing of balances reported in the District's financial statements, we noted several material errors in the financial statements that required adjustment. The errors impacted the following balances reported in the financial statements:

- Cash in county treasury
- Cash in county treasury - fair value adjustment (GASB 31)
- Cash in banks
- Revolving cash
- Accounts receivable
- Inventory
- Accrued liabilities
- Unearned revenue

These errors resulted in the District not preparing financial statements in accordance with generally accepted accounting principles.

Effect: Audit adjustments were required due to material misstatements within the unaudited financial statements prepared by the District. These adjustments are outlined in the Reconciliation of Annual Financial and Budget Report with the Audited Financial Statements on page 69 of the audit report.

Cause: The conditions appeared to be due to general oversight and turnover in management and staffing.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend management evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Corrective Action Plan: The District will establish a quarterly procedure to ensure that bank and book balances are regularly reconciled. In addition, as new staff are onboarded, the District will provide training to ensure that best practices are utilized in fund accounting. The District will also explore the possibility of bringing all Fund 13 transactions into the County's financial accounting system in order to ensure better alignment.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2025.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2025.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

There were no findings or questioned costs for the year ended June 30, 2024.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate"), dated _____, 2026, is executed and delivered by the Manhattan Beach Unified School District (the "Issuer") in connection with the issuance of the $_____ Manhattan Beach Unified School District (Los Angeles County, California) Election of 2024 General Obligation Bonds, Series B (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Issuer adopted on September 16, 2026 (the "Resolution") and a resolution adopted by the Board of Supervisors of Los Angeles County on October 20, 2026. The Issuer covenants and agrees as follows:

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

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

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

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

"Dissemination Agent" shall mean, initially, Montague DeRose and Associates, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

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

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

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

"Official Statement" shall mean the Official Statement for the Bonds dated _____, 2026.

"Participating Underwriter" shall mean Raymond James & Associates, Inc., as the original underwriter of the Bonds.

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

SECTION 3. Provision of Annual Reports.

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

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

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

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

(d) The Dissemination Agent shall:

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

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

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

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

(a) (i) The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended; (ii) the most recently adopted budget of the Issuer and, if required to be prepared and filed, the First Interim Report for the current fiscal year; and (iii) an update of the information contained in Tables 1 through 4 and 13 contained under the headings "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS" and "DISTRICT FINANCIAL MATTERS" in the Official Statement for the Bonds. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the audited financial

statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the MSRB in the manner provided in Section 5(g), including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

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

SECTION 5. Reporting of Significant Events.

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

(1) principal and interest payment delinquencies;

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

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

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

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

(6) tender offers;

(7) defeasances;

(8) ratings changes;

(9) bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

(1) unless described in Section 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(2) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

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

(4) nonpayment related defaults;

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

(6) bond calls;

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

(8) incurrence of a financial obligation of the obligated person, or agreement to covenant, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Owners of the Bonds.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

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

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

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Event described in Section 5(b)(6) need not be given under Sections 5(d) or (f) any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

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

(h) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "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 MSRB consistent with the Rule.

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

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

SECTION 8. Amendment.

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

(b) This Disclosure Certificate may be amended in writing with respect to the Bonds, upon obtaining consent of Owners at least 25% in aggregate principal of the Bonds then outstanding; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

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

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or

information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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

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

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

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

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

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

Disclosure Representative: Superintendent
Manhattan Beach Unified School District
325 S Peck Avenue
Manhattan Beach, California 90266

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

By: _____
Its: Superintendent

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Manhattan Beach Unified School District

Names of Issue: Manhattan Beach Unified School District (Los Angeles County, California) Election of 2024 General Obligation Bonds, Series B

Date of Issuance: _____, 2026

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate, dated _____, 2026, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

_____, Dissemination Agent

By _____
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

CITY OF MANHATTAN BEACH AND COUNTY OF LOS ANGELES
GENERAL AND ECONOMIC DATA

The following information concerning the City of Manhattan Beach (the "City"), the County of Los Angeles (the "County") and the State of California (the "State") are presented as general background information. The Series B Bonds are not an obligation of the City, the County or the State and the taxing the power of the City, the County and the State are not pledged to the payment of the Series B Bonds. The Series B Bonds are payable solely from the sources described in the Official Statement. Certain information provided in this Appendix D predates the COVID-19 pandemic and such information for more recent fiscal years and calendar years which is not yet available may be materially different from prior years.

General

City of Manhattan Beach. The City consists of 3.94 square miles and is 19 miles southwest of downtown Los Angeles on the southerly end of Santa Monica Bay. Incorporated on December 7, 1912 it is a General Law City and operates under the Mayor/City Council-City Manager form of government. The City Council consists of five members, who are elected at large to serve staggered four-year terms. The council members elect the Mayor from among themselves and also appoint the City Manager.

Los Angeles County. Established by an act of the legislature of the State on February 18, 1850, the County is one of the original 27 counties of the State. With 4,061 square miles, the county borders 70 miles of coast on the Pacific Ocean. The County is home to 88 incorporated cities and many unincorporated areas. In between the large desert portions of the county — which make up around 40% of its land area — and the heavily urbanized central and southern portions sits the San Gabriel Mountains containing Angeles National Forest. Significant portions of the County are heavily urbanized. Los Angeles is a Charter County governed by a five-member elected Board of Supervisors, each of whom serves alternating four-year terms.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Population

The following table shows historical population figures for the City, the County and the State for the past 10 years.

POPULATION ESTIMATES
2017 through 2026
City of Manhattan Beach, Los Angeles County and the State of California

Year[1]	*City of Manhattan Beach*	*Los Angeles County*	*State of California*
2017	35,991	10,107,312	39,273,915
2018	35,828	10,107,841	39,429,439
2019	35,630	10,067,476	39,503,656
2020	35,434	10,029,036	39,535,623
2021	35,371	9,967,533	39,380,058
2022	34,851	9,861,671	39,159,480
2023	34,665	9,864,220	39,167,274
2024	34,588	9,882,296	39,446,835
2025	34,508	9,900,914	39,646,907
2026	34,333	9,837,286	39,592,978

(1) As of January 1.
Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2010-2020, with 2010 Census Benchmark. Sacramento, California, May 2025; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2026, with 2020 Census Benchmark. Sacramento, California, May 2026.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years that statistics are currently available.

PER CAPITA PERSONAL INCOME
2015 through 2024
Los Angeles County, State of California, and United States

Year	*Los Angeles County*	*State of California*	*United States*
2015	$53,061	$53,816	$48,062
2016	54,742	55,862	48,974
2017	56,627	58,214	51,006
2018	58,994	60,984	53,311
2019	62,591	64,219	55,567
2020	67,889	70,100	59,151
2021	73,575	77,134	64,692
2022	74,414	77,196	66,298
2023	78,745	81,196	70,002
2024	83,888	86,232	73,204

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: February 5, 2026 – new statistics for 2024; revised statistics for 2020-2023. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Bureau of Economic Analysis, "CAINC1 County and MSA personal income summary: personal income, population, per capita personal income" (accessed Tuesday, August 4, 2026).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Principal Employers

The following tables list the principal employers located in the City and the County.

PRINCIPAL EMPLOYERS
2025
City of Manhattan Beach

Name	***Type***	***Employees***
Northrop Grumman Corporation	Aerospace and Defense	2,657
Manhattan Beach Unified School District	School District	656
Skechers USA Inc. (225 S. Sepulveda Blvd)	Department Store	593
Target Stores T199 Target Corp	Department Store	405
City of Manhattan Beach	City Government	
Skechers USA Inc. (330 Sepulveda Blvd)	Department Store	315
Joey Manhattan Beach	Restaurant	180
Westdrift	Hotel	180
Manhattan Beach Country Club	Tennis Club	175
Recreation Equipment Inc. – REI	Department Store	175

(1) For updated employment information regarding the District, see "THE DISTRICT – Employee Relations" in the front part of this Official Statement.
Source: City of Manhattan Beach 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2025.

PRINCIPAL PRIVATE-SECTOR EMPLOYERS
2026
Los Angeles County

Employer Name	***Industry***	***Number of Employees***
Kaiser Permanente	Services: Health Services	47,895
University of Southern California	Services: Educational Services	24,765
Cedars-Sinai Medical Center	Services: Health Services	17,383
The Boeing Co.	Services: Aerospace and Defense Manufacturer	13,256
NBCUniversal	Services: Media and Entertainment	12,000
CalTech	Services: Educational Services, Operator of Jet Propulsion Laboratory	6,959
Bank of America Corp.	Services: Banking and Financial Services	5,530
Antelope Valley Medical Center	Services: Health Services	3,100
Deloitte	Services: Audit, Tax, Advisory and Consulting	2,477
The Aerospace Corporation	Services: Aerospace and Defense Contractor	2,202
MiniMed	Services: Health Services	1,500

Source: Los Angeles Business Journal, The List, published August 24, 2026.

PRINCIPAL PUBLIC-SECTOR EMPLOYER
2026
LOS ANGELES COUNTY

Employer Name	***People Served***	***Number of Employees***
Los Angeles County	10 million residents	65,506
University of California, Los Angeles	49,013 students	56,522
City of Los Angeles[(1)]	3.84 million residents	33,286
Los Angeles Unified School District	Over 520,000 students	78,874
California State University – Northridge	36,960 students	4,751
Cal Poly Pomona	27,221 students	2,536
California State University – Los Angeles	21,708 students	2,243
California State University – Long Beach	39,359 students	1,600
City of Torrance	143,057 residents	1,530
Port of Los Angeles	N/A	1,049

(1) Excludes proprietary departments (LADWP, Los Angeles World Airports).
Source: Los Angeles Business Journal, The List, published August 24, 2026.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2020 through 2024 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2021 through 2025[1]
City of Manhattan Beach, Los Angeles County, State of California, and United States

Year and Area	*Labor Force[2]*	*Employment*	*Unemployment*	*Unemployment Rate (%)[3]*
2021				
City of Manhattan Beach	16,100	15,100	1,000	6.2%
Los Angeles County	5,019,900	4,569,800	450,100	9.0
State of California	19,013,800	17,619,300	1,394,500	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
City of Manhattan Beach	16,300	15,700	700	4.1%
Los Angeles County	5,036,800	4,786,000	250,800	5.0
State of California	19,267,400	18,441,400	826,100	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
2023				
City of Manhattan Beach	16,300	15,600	700	4.5%
Los Angeles County	5,064,700	4,808,300	256,500	5.1
State of California	19,514,600	18,593,600	921,000	4.7
United States	167,116,000	161,037,000	6,080,000	3.6
2024				
City of Manhattan Beach	16,300	15,500	800	4.9%
Los Angeles County	5,106,400	4,812,400	294,000	5.8
State of California	19,692,800	18,650,700	1,042,200	5.3
United States	168,106,000	161,346,000	6,761,000	4.0
2025				
City of Manhattan Beach[4]	-	-	-	-
Los Angeles County	5,098,800	4,810,600	288,200	5.7%
State of California	19,823,800	18,738,500	1,085,300	5.5
United States	170,807,000	163,493,000	7,314,000	4.3

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Labor force data for all geographic areas now reflect the March 2025 benchmark and Census Vintage 2025 population controls at the state level.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Unemployment data not yet published for the City of Manhattan Beach as of November 16, 2026.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2025 Benchmark.

Industry

The County is included in the Los Angeles-Long Beach-Glendale Metropolitan Division (the "Metropolitan Division"). The distribution of employment in the Metropolitan Division is presented in the following table for the last five years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2021 through 2025
Los Angeles County (Los Angeles-Long Beach-Glendale Metropolitan Division)

Category	***2021***	***2022***	***2023***	***2024***	***2025***
Total Farm	4,600	4,800	4,700	4,700	4,200
Total Nonfarm	4,305,100	4,532,100	4,548,500	4,597,800	4,592,700
Total Private	3,744,800	3,962,100	3,965,400	3,996,100	3,989,500
Goods Producing	463,800	474,700	471,300	465,900	451,400
Mining and Logging	1,600	1,700	1,700	1,700	1,700
Construction	149,000	151,300	151,200	151,600	146,500
Manufacturing	313,100	321,700	318,400	312,600	303,300
Durable Goods	186,000	189,500	190,200	187,800	181,800
Nondurable Goods	127,100	132,200	128,300	124,900	121,500
Service Providing	3,841,300	4,057,400	4,077,200	4,131,900	4,141,200
Private Service Producing	3,281,000	3,487,400	3,494,100	3,530,300	3,538,100
Trade, Transportation and Utilities	814,000	833,500	822,800	812,000	799,300
Wholesale Trade	202,600	204,400	200,100	194,800	189,200
Retail Trade	396,100	405,500	404,800	398,800	393,600
Transportation, Warehousing and Utilities	215,200	223,600	217,900	218,500	216,500
Information	208,800	234,900	193,100	189,600	177,000
Financial Activities	213,200	215,700	210,500	207,700	203,400
Professional and Business Services	631,300	667,400	657,200	657,400	660,200
Educational and Health Services	843,900	870,600	919,000	967,000	1,007,100
Leisure and Hospitality	434,200	512,400	534,100	537,500	533,100
Other Services	135,700	153,000	157,400	159,000	158,000
Government	560,200	570,000	583,100	601,700	603,200
Total, All Industries	4,309,700	4,536,900	4,553,200	4,602,500	4,596,900

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2025 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2021 through 2025 are shown in the following tables.

ANNUAL TAXABLE SALES
2021 through 2025
City of Manhattan Beach
(Dollars in Thousands)

Year	*Retail Permits*	*Retail Stores Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2021	3,614	$669,660	6,032	$775,443
2022	3,651	762,147	6,147	897,907
2023	3,559	780,863	5,990	915,803
2024	3,542	807,920	5,963	936,242
2025	3,536	807,598	5,965	937,720

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

ANNUAL TAXABLE SALES
2021 through 2025
Los Angeles County
(Dollars in Thousands)

Year	*Retail Permits*	*Retail Stores Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2021	867,046	$139,000,373	1,448	$192,524,203
2022	847,231	150,622,624	1,425	213,716,609
2023	813,950	146,164,088	1,377	208,502,835
2024	813,544	143,821,035	1,379	205,810,069
2025	812,554	143,822,280	1,391	205,652,567

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
City of Manhattan Beach
(Dollars in Thousands)

	2020	***2021***	***2022***	***2023***	***2024***
Valuation					
Residential	$29,908	$52,170	$57,949	$132,690	$128,394
Non-Residential	21,863	14,244	46,504	42,028	24,078
Total	$51,771	$66,414	$104,453	$174,718	$152,472
Units					
Single Family	51	83	92	152	84
Multiple Family	13	48	128	52	101
Total	64	131	220	204	185

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
Los Angeles County
(Dollars in Thousands)

	2020	***2021***	***2022***	***2023***	***2024***
Valuation					
Residential	$5,678,400	$6,020,503	$4,946,467	$5,097,976	$5,989,659
Non-Residential	3,513,049	1,836,348	4,184,086	9,087,653	4,202,223
Total	$9,191,449	$7,856,851	$9,130,553	$14,185,629	$10,191,882
Units					
Single Family	6,198	7,327	8,301	6,503	2,961
Multiple Family	14,056	16,718	18,912	11,752	13,704
Total	20,254	24,045	27,213	18,255	16,665

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series B Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

11. 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, Security certificates will be printed and delivered to DTC.

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

LOS ANGELES COUNTY TREASURER'S STATEMENT OF INVESTMENT POLICY

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437
Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and propertytax.lacounty.gov

ELIZABETH BUENROSTRO GINSBERG
TREASURER AND TAX COLLECTOR

Board of Supervisors
HILDA L. SOLIS
First District
HOLLY J. MITCHELL
Second District
LINDSEY P. HORVATH
Third District
JANICE HAHN
Fourth District
KATHRYN BARGER
Fifth District

May 12, 2026

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

18 May 12, 2026

EDWARD YEN
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTION OF UPDATED TREASURER AND TAX COLLECTOR INVESTMENT POLICY (ALL DISTRICTS) (3-VOTES)

SUBJECT

Adoption of updated Treasurer and Tax Collector Investment Policy.

IT IS RECOMMENDED THAT THE BOARD:

1. Adopt the attached updated Treasurer and Tax Collector Investment Policy (Investment Policy).

2. Find that the updated Investment Policy supersedes the version of the Investment Policy previously attached to the Board letter dated March 17, 2026 approving the Treasurer and Tax Collector Investment Policy.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On March 17, 2026, the Board approved the Treasurer and Tax Collector Investment Policy (Investment Policy). Following that action, it was determined that the attachment to the Board letter reflected last year's Investment Policy rather than the updated version described therein.

The attached updated Investment Policy reflects the intended current Investment Policy, including the updated maximum maturity for prime quality commercial paper from 270 days up to 397 days, and the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings (Attachment III).

Investment Policy.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan North Star 3, Realize tomorrow's government today; Focus Area Goal G, Internal Controls and Processes; Strategy ii. Manage and Maximize County Assets.

FISCAL IMPACT/FINANCING

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Government Code Section 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This Government Code Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

Respectfully submitted,

Elizabeth B Ginsberg

ELIZABETH BUENROSTRO GINSBERG
Treasurer and Tax Collector

EBG:LP:DJJ:CW:bp

Enclosures

c: Interim Chief Executive Officer
Executive Officer, Board of Supervisors
Auditor-Controller
County Counsel

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed $500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, III, and IV (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 4.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 24 months' average total cash and investments, after adjustments, as indicated in Attachment III.

Business Continuity Plan

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread emergency. The BCP includes written guidelines to perform critical Treasury functions, contact

information for key personnel, authorized bank representatives and broker/dealers. The Treasurer's Office implemented its BCP in 2007.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or their authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.
- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealers Section

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealers with minimum capitalization of $500 million and who meet all five of the below listed criteria:

    1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

    2. Be a member of the Financial Industry Regulatory Authority and;

    3. Be registered with the Securities and Exchange Commission and;

    4. Have been in operation for more than five years; and

    5. Have a minimum annual trading volume of $100 billion in money market instruments or $500 billion in United States (U.S.) Treasuries and Agencies.

B. Emerging firms that meet all of the following:

    1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

    2. Maintain office(s) in California and;

    3. Maintain a minimum capitalization of $250,000 and, at the time of application, have a maximum capitalization of no more than $10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

A. Confirmation of daily trade transactions and all open trades in effect at month-end.

B. Response to auditor requests for confirmation of investment transactions.

C. Response to the Internal Controls Branch requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding $100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

Consideration of Environmental, Social, and Corporate Governance (ESG) Scores

The Treasurer considers that environmental, social and governance (ESG) factors may financially impact the safety, liquidity and yield of investment opportunities. The Treasurer therefore may pursue pragmatic and cost-effective means to consider such

factors to fulfill the objectives set forth for the PSI Portfolio.
The Treasurer may also seek to further the County's sustainability goals and enhance the transition to a green economy, consistent with the County's Sustainability Plan, Our County, in its investment decisions, as long as such investments achieve substantially equivalent safety, liquidity and yield compared to other investment opportunities.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the U.S. Government, its agencies and instrumentalities

1. Maximum maturity: None.
2. Maximum total par value: None.
3. Maximum par value per issuer: None.
4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment IV)

1. Maximum maturity: As limited in Attachment IV.
2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.
2. Maximum total par value: 20% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
4. All Asset-Backed securities must be rated in a rating category of "AA" or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

D. Bankers' Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Must be issued by:

   a) National or State-chartered bank, or

   b) Savings association or Federal association, or

   c) Federal or State credit union, or

   d) Federally licensed or State-licensed branch of a foreign bank.

5. Euro CD's:

   a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

b) Maximum total par value: 10% of the PSI portfolio.

c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

d) Limited to London branch of National or State-chartered banks.

6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

a) The total shareholders' equity of depository bank.

b) The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Notes MUST be issued by:

a) Corporations organized and operating within the U.S.

b) Depository institutions licensed by the U.S or any State and operating within the U.S.

5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to

maturity.

2. Maximum total par value: 10% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.

5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:

   a) Specific basis for the benchmark rate.

   b) Specific computation for the benchmark rate.

   c) Specific reset period.

   d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 397 days and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer’s current credit rating.

4. Credit: Issuing Corporation - Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

   a) The entity meets the following criteria:

      1) Is organized and operating in the U.S. as a general corporation.

      2) Has total assets in excess of $500 million.

      3) Has debt other than commercial paper, if any, that is rated in a rating

category of “A” or its equivalent or higher by a NRSRO.

b) The entity meets the following criteria:

1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.

2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

3) Has commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

   a) Attained the highest possible rating by not less than two NRSROs.

   b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars ($500,000,000).

   Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California’s Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.

3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

   a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

b) The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

c) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

J. Repurchase Agreement

1. Maximum maturity: 30 days.

2. Maximum total par value: $1 billion.

3. Maximum par value per dealer: $500 million.

4. Agreements must be in accordance with approved written master repurchase agreement.

5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.

2. Maximum total par value: $500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Maximum par value per broker: $250 million.

4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined

in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.

6. Agreements must be in accordance with approved written master repurchase agreement.

7. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.

11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a

specific time period.

1. Maximum maturity: 90 days.

2. Maximum aggregate par value: $100 million.

3. Maximum par value per counterparty: $50 million. Counterparties for Forward and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated “A” or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.

5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed $100,000 for each occurrence or exceed a total of $250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.

6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.

7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.

8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating. Further, the counterparty to such an agreement SHALL be rated “A” or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated “A” or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.

2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

4. Agreements SHALL only be made for the purpose of enhancing investment revenue.

5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

O. Supranationals

Supranationals are multilateral lending institutions that provide development

financing, advisory services and other financial services to their member countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of "AA" or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

Permitted Investments are also subject to limitation based on the ESG score of individual issuers in comparison to the ESG score of the issuer's business sector, as rated by Sustainalytics. The limitation methodology is shown in Attachment II.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$750MM
		A-1/AA	P-1/Aa	F1/AA	$600MM
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:
(1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$600MM
		A-1/AA	P-1/Aa	F1/AA	$450MM
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:
(1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

MINIMUM CREDIT RATING
SUPRANATIONAL ISSUERS

Issuer Rating (1)			Investment Limit (2)
S&P Global	**Moody's Analytics**	**Fitch Ratings**	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

Notes:
(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

MINIMUM CREDIT RATING
COMMERCIAL PAPER

Maximum Maturity	Issuer Rating (1) (2)			Investment Limit (3)
	S&P Global	Moody's Analytics	Fitch Ratings	
397 days	A-1	P-1	F1	$1.5 Billion

Notes:
(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) If an issuer has a long-term rating, it must be rated in a rating category of “A” or its equivalent or higher.
(3) Maximum combined par value for all issuers is limited to 40% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT II

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG) SCORE IMPACT ON INVESTMENT LIMITS

If an issuer's Sustainalytics ESG score is weaker than the median Sustainalytics ESG score of its business sector, investment limits will be subject to the following investment limit reductions:

Score Differential	Percentage Reduction of Investment Limit
≤ 5 points weaker	0%
5 ≤ 10 points weaker	15%
10 ≤ 20 points weaker	30%
> 20 points weaker	50%

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual $)

Average Investment Balance and Available Cash (1)	$56,898,254,516
Less:	
▪ 50% of Discretionary Deposits (1)	($1,835,520,582)
Average Available Balance	$55,062,733,934
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	$41,297,050,451
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	$13,765,683,484
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	$27,531,366,967

(1) 24 Month Average from December 2023 to November 2025.
(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s Analytics) or “A-” (S&P Global or Fitch Ratings). The maximum maturity is limited to 30 years.

2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s Analytics rating of “MIG-1” or “A2” or a minimum S&P Global rating of “SP-1” or “A.” Maximum maturity limited to five years.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

COUNTY INVESTMENT POOL MONTHLY REPORT

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (Treasury Pool). As of September 30, 2026, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$20.748
Schools and Community Colleges	25.095
Discretionary Participants	3.305
Total	$49.148

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	93.28%
Discretionary Participants:	
Independent Public Agencies	6.61%
County Bond Proceeds and Repayment Funds	0.11%
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on May 12, 2026, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Report of Investments dated October 31, 2026, the September 30, 2026, book value of the Treasury Pool was approximately $49.148 billion, and the corresponding market value was approximately $47.716 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2026:

Type of Investment	**% of Pool**
Certificates of Deposit	5.70
U.S. Government and Agency Obligations	62.29
Bank Acceptances	0.00
Commercial Paper	31.94
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.00
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of September 30, 2026, approximately 43.89% of the investments mature within 60 days, with an average of 360 days to maturity for the entire portfolio.