

PRELIMINARY OFFICIAL STATEMENT DATED MAY 8, 2026

NEW ISSUE -- FULL BOOK-ENTRY

RATING: S&P: "A+"
See "RATING" herein

In the opinion of Jones Hall LLP, San Mateo, California Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

\$8,000,000*
GARVEY SCHOOL DISTRICT
(Los Angeles County, California)
2026 Refunding General Obligation Bonds

Dated: Date of Delivery

Due: As shown on inside cover.

Authority and Purpose. The captioned bonds (the "Bonds") are being issued by the Garvey School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on April 2, 2026 (the "Bond Resolution"). The Bonds are being issued for the purpose of refinancing on a current basis all or some maturities of the District's outstanding Election of 2016 General Obligation Bonds, Series B, and to pay related costs of issuance. See "THE REFINANCING PLAN" and "THE BONDS – Authority for Issuance."

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

Redemption* The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

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

Payments. The Bonds are dated the date of delivery and are being issued as current interest bonds. The Bonds bear interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2026. Principal of the Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Los Angeles, California, as agent for the Treasurer and Tax Collector of Los Angeles, California, the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS."

Bond Insurance. The District has applied for a policy of municipal bond insurance to insure some or all maturities of the Bonds. A decision regarding whether or not insurance will be obtained will be made at the time of pricing.

MATURITY SCHEDULE
(see inside front cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall LLP, San Mateo, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall LLP is also serving as Disclosure Counsel to the District. Norton Rose Fulbright US LLP, Los Angeles, California, is serving as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about June 2, 2026.*

RAYMOND JAMES®

The date of this Official Statement is _____, 2026.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

GARVEY SCHOOL DISTRICT (Los Angeles County, California) 2026 Refunding General Obligation Bonds

Base CUSIP[†]: 366658

Maturity Date	Principal	Interest Rate	Yield	Price	CUSIP [†]
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*Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by FactSet Research Systems Inc. © 2026 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience only. Neither of the District nor the Underwriter takes any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

Website. The District maintains a website and certain social media accounts. However, the information presented on the website and in social media posts is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Bonds.

GARVEY SCHOOL DISTRICT
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

BOARD OF EDUCATION OF THE DISTRICT

Andrew Yam, *President*
Ronald Trabanino, *Vice President*
Maureen Chin, *Clerk*
Paul Duran, *Member*
John H. Nuñez, *Member*

DISTRICT ADMINISTRATION

Anita Chu, *Superintendent*
Marvin Lee, *Fiscal Services Director*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall LLP
San Mateo, California

BOND REGISTRAR, TRANSFER AGENT, PAYING AGENT AND ESCROW AGENT

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

UNDERWRITER'S COUNSEL

Norton Rose Fulbright US LLP
Los Angeles, California

VERIFICATION AGENT

Causey Public Finance LLC
Denver, Colorado

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\$8,000,000*
GARVEY SCHOOL DISTRICT
(Los Angeles County, California)
2026 Refunding General Obligation Bonds

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery of 2026 Refunding General Obligation Bonds in the principal amount of \$8,000,000* (the “**Bonds**”) by the Garvey School District (the “**District**”), Los Angeles County (the “**County**”), State of California (the “**State**”).

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

The District. The District is an elementary school district formed in 1892 and is the second oldest elementary school in Los Angeles County (the “**County**”). The District is situated at the western end of the San Gabriel Valley, about 10 miles directly east of the City of Los Angeles. The District provides elementary education services in a four square-mile territory that includes portions of the Cities of Monterey Park, San Gabriel and Rosemead (together, “**the Cities**”) as well as unincorporated portions of the County. The District currently operates eight elementary schools for grades TK-6 and two intermediate schools for grades 7-8. Enrollment in the District for the 2025-26 academic year is projected for approximately 4,143 students. In fiscal year 2025-26, the District’s total assessed value exceeds \$5.9 billion.

For more detail regarding the District, its administration, and finances, see APPENDIX A hereto. See also APPENDIX B for the District’s most recent audited financial statements. For details on assessed valuations and related information, see “SECURITY FOR THE BONDS” herein.

Authority and Purpose of Issue; Financing Plan. The Bonds will be issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the “**Bond Law**”) and pursuant to a resolution adopted by the Board of Education of the District on April 2, 2026 (the “**Bond Resolution**”). The net proceeds of the Bonds will be used to refinance certain outstanding Election of 2016 General Obligation Bonds, Series B, and to pay related costs of issuance. See “THE REFINANCING PLAN” and “THE BONDS – Authority for Issuance” and “SOURCES AND USES OF FUNDS” herein.

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

* Preliminary; subject to change.

Form of Bonds. The Bonds are being issued as current interest bonds which will bear current interest and will mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for the Depository Trust Company (“**DTC**”). Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS – General Description of the Bonds” and “– Book-Entry Only System,” and “APPENDIX F – DTC and the Book-Entry System.”

Redemption^{*}. The Bonds are subject to redemption prior to maturity as described in “THE BONDS – Optional Redemption” and “– Mandatory Sinking Fund Redemption.”

Bond Insurance. The District has applied for a policy of municipal bond insurance to insure some or all maturities of the Bonds. A decision regarding whether or not insurance will be obtained will be made at the time of pricing.

Legal Matters. The issuance of the Bonds is subject to the approving opinion of Jones Hall LLP, San Mateo, California, as bond counsel (“**Bond Counsel**”), to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall LLP, San Mateo, California, will also serve as Disclosure Counsel to the District (“**Disclosure Counsel**”). Norton Rose Fulbright US LLP, Los Angeles, California, is serving as counsel to the Underwriter (“**Underwriter’s Counsel**”). Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the issuance of the Bonds.

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Interest on the Bonds may be subject to the corporate alternative minimum tax. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State personal income taxes. See “TAX MATTERS” herein. See also APPENDIX D hereto for the form of Bond Counsel’s opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Bonds and executed by the District (the “**Continuing Disclosure Certificate**”). The form of the Continuing Disclosure Certificate is included in APPENDIX E hereto. See “CONTINUING DISCLOSURE.”

Cyber Risks. The District, like other governmental and business entities, faces significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face cybersecurity threats, attacks or incidents from time to time. No assurance can be given that future cyber threats or attacks against the District or third-party entities or service providers will not directly or indirectly impact the District or the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the District’s continuing disclosure undertakings, described in more detail herein. See “CYBERSECURITY RISKS” herein.

^{*} Preliminary; subject to change.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District at the Superintendent’s Office at 2730 North Del Mar Avenue, Rosemead, California 91770, Telephone: (626) 307-3400. The District may impose a charge for copying, mailing and handling.

THE REFINANCING PLAN

As described herein, the net proceeds of the Bonds will be used to refund certain maturities of the District’s outstanding general obligation bonds on a current basis, being certain maturities of the following bonds:

- Election of 2016 General Obligation Bonds, Series B issued on October 4, 2018, in the original principal amount of \$10,000,000 (the “**Prior Bonds**”).

The following table identifies the maturities of the Prior Bonds expected to be refunded with the proceeds of the Bonds (the “**Refunded Bonds**”).

GARVEY SCHOOL DISTRICT Identification of Refunded Bonds*

Maturity Date	Principal	Interest Rate	Redemption Date	Redemption Price	CUSIP† (366658)
8/1/27	\$75,000	4.000%	8/1/26	100.00%	SM5
8/1/28	100,000	4.000	8/1/26	100.00	SN3
8/1/29	135,000	4.000	8/1/26	100.00	SP8
8/1/30	160,000	4.000	8/1/26	100.00	SQ6
8/1/31	160,000	4.000	8/1/26	100.00	SR4
8/1/32	190,000	4.000	8/1/26	100.00	SS2
8/1/33	215,000	4.000	8/1/26	100.00	ST0
8/1/34	245,000	4.000	8/1/26	100.00	SU7
8/1/35	275,000	4.000	8/1/26	100.00	SV5
8/1/36	305,000	4.000	8/1/26	100.00	SW3
8/1/37	335,000	4.000	8/1/26	100.00	SX1
8/1/38	360,000	4.000	8/1/26	100.00	SY9
8/1/39	400,000	4.000	8/1/26	100.00	SZ6
8/1/45-T	2,440,000	5.000	8/1/26	100.00	TA0
8/1/48-T	2,830,000	5.000	8/1/26	100.00	TB8
TOTALS	\$8,225,000	--	--	--	--

*Preliminary; subject to change.

† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by FactSet Research Systems Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.

T: Term Bonds.

The District will deliver the net proceeds of the Bonds to U.S. Bank Trust Company, National Association, as escrow bank (the “**Escrow Agent**”), for deposit in an escrow fund (the “**Escrow Fund**”) established under an Escrow Agreement (the “**Escrow Agreement**”), between the District and the Escrow Agent. The Escrow Agent will hold such funds in cash and/or invest such funds in certain United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States (“**Escrow Fund Securities**”) and will

apply such funds, together with interest earnings on the investment of such funds in Escrow Fund Securities, to pay the principal of and interest on the Refunded Bonds, including the redemption price of the Refunded Bonds, as set forth above, on the redemption date identified above.

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

The Escrow Fund Securities and cash held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded Bonds, and will not be available for the payment of debt service with respect to the Bonds.

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THE BONDS

Authority for Issuance

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

General Description of the Bonds

The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “– Book-Entry Only System” and “APPENDIX F – DTC and the Book-Entry System.”

The Bonds will be issued in denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2026 (each, an “**Interest Payment Date**”). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2026, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent (as defined below) to DTC for subsequent disbursement to participants in DTC’s book entry system (“**DTC Participants**”) who will remit such payments to the beneficial owners of the Bonds.

Paying Agent

U.S. Bank Trust Company, National Association, Los Angeles, California serving as agent for the Treasurer and Tax Collector of Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the “**Paying Agent**”). As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Paying Agent will send all payments with respect to principal and interest on the Bonds, and any notice of redemption or other notices to owners of the Bonds, only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any ultimate purchaser of the Bonds (each a “**Beneficial Owner**”), of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action covered by such notice.

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

Optional Redemption*

The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a redemption price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date. For the purpose of selection for optional redemption, Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption*

The Bonds maturing on August 1, 20__ (the “**Term Bonds**”) are subject to mandatory sinking fund redemption on August 1 in the years and in the amounts as set forth in the following table at a redemption price equal to the principal amount thereof to be redeemed, without premium, together with interest accrued thereon to the redemption date. If any Term Bonds are optionally redeemed as described above, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 (or such other basis as the District may determine).

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
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Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfers of the Bonds under the Bond Resolution. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the office of the Paying Agent for the payment of the Bonds and the administration of its duties under the Bond Resolution as designated therein (“**Office of the Paying Agent**”) for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

* Preliminary; subject to change.

Partial Redemption

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

Right to Rescind Notice of Redemption

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

Book-Entry Only System

The Bonds will be registered initially in the name of "Cede & Co." as nominee of DTC, which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Bonds. Principal of the Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

In the event that the securities depository (either DTC or its successor depository) determines not to continue to act as securities depository for the Bonds, or the District determines to terminate the depository as such, then the District will thereupon discontinue the book-entry system with such securities depository. In such event, the securities depository will cooperate with the District and the Paying Agent in the issuance of replacement Bonds by providing the Paying Agent with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the nominee of the securities depository, to the Paying Agent on or before the date such replacement Bonds are to be issued.

Registration, Transfer and Exchange of Bonds

Registration. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Bond Resolution.

Transfers of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the registration books required to be kept pursuant to the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Office of the Paying Agent, accompanied by delivery of a written instrument

of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds is surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers of Bonds will be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond which has been selected for redemption.

Exchange of Bonds. Bonds may be exchanged at the principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. The District may charge a reasonable sum for each new Bond issued upon any exchange (except in the cases of any exchange of temporary Bonds for definitive Bonds). No exchange of Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after it has been selected for redemption.

Defeasance

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

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

If the District pays all the Bonds that are outstanding and also pays or causes to be paid all other sums payable under the Bond Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Bond Resolution), and notwithstanding that any Bonds have not been surrendered for payment, the Bond Resolution and other assets made under the Bond Resolution and all covenants, agreements and other obligations of the District under the Bond Resolution will cease, terminate, become void and be completely discharged and satisfied, except only as provided and described in the following paragraph.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Bond that is outstanding (whether upon or prior to its maturity date or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease and be completely discharged, except only that thereafter the Owner thereof will be entitled only to payment of the principal of and interest on such Bond by the

District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

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

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

The Bond Resolution defines the term “**Federal Securities**” to mean: (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; (b) any obligations the timely payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a); (c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; (d) pre-refunded municipal bonds rated in the highest rating category by any Rating Agency; and (e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and (vii) obligations of the Federal Home Loan Bank (FHLB).

SOURCES AND USES OF FUNDS

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

GARVEY SCHOOL DISTRICT Sources and Uses of Funds

Sources of Funds

Principal Amount of Bonds
Plus: [Net] Original Issue Premium

Total Sources

Uses of Funds

Deposit to Escrow Fund
Costs of Issuance ⁽¹⁾

Total Uses

(1) *All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, the verification agent, the bond insurance premium (if any), and the rating agency.*

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DEBT SERVICE SCHEDULE

The Bonds. The following table shows the annual debt service schedule with respect to the Bonds.

GARVEY SCHOOL DISTRICT 2026 REFUNDING GENERAL OBLIGATION BONDS Bond Annual Debt Service Schedule

Period Ending August 1	Principal	Interest	Total Debt Service
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total			

Combined GO Bond Debt Service Table. The following table sets forth combined annual debt service with respect to the Bonds, together with annual debt service for general obligation bonds currently outstanding, on a District-wide basis. The table assumes no optional redemptions. See also APPENDIX A under the heading “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations - Outstanding General Obligation Bonds.”

**GARVEY SCHOOL DISTRICT
Combined Annual Debt Service Schedule
All Outstanding General Obligation Debt**

Period Ending Aug. 1	Other Outstanding Bonded Indebtedness*	The Bonds	Aggregate Debt Service
2026	\$7,483,518.76		
2027	7,333,318.76		
2028	6,589,818.76		
2029	6,923,818.76		
2030	6,851,418.76		
2031	7,089,268.76		
2032	7,246,539.56		
2033	7,345,643.76		
2034	5,600,207.36		
2035	5,741,493.76		
2036	5,881,658.01		
2037	5,987,151.76		
2038	6,092,706.26		
2039	6,212,130.26		
2040	6,330,049.00		
2041	6,457,768.90		
2042	6,580,900.00		
2043	3,805,750.00		
2044	3,939,700.00		
2045	4,082,450.00		
2046	4,228,000.00		
2047	4,445,100.00		
2048	3,306,000.00		
2049	2,110,600.00		
2050	2,814,200.00		
2051	2,869,200.00		
2052	973,000.00		
2053	973,400.00		
2054	972,400.00		
TOTAL	\$146,267,211.19		

**For purposes of the Preliminary Official Statement, includes debt service on the Refunded Bonds.*

SECURITY FOR THE BONDS

Ad Valorem Property Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Debt Payable from Ad Valorem Property Taxes. In addition to the District's general obligation bonds, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Typical Tax Rates" and "– Direct and Overlapping Debt."

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

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

Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter-approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. In addition, the District has granted a consensual lien on said revenues pursuant to the Bond Resolution. Said liens attach automatically and are valid and binding from the time the bonds are executed and delivered. The liens are enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the liens and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the 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 Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

At the time of bond issuance, under State law, school districts are required to project that the tax levy required to support bond amortization for bonds issued under the bond measure is

not expected to exceed \$30 per \$100,000 assessed value (for school districts), which includes certain assumptions regarding assessed valuations.

Debt Service Fund

The County will establish the “Garvey School District 2026 Refunding General Obligation Bonds Debt Service Fund” (the “**Debt Service Fund**”) for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon apportionment of said levy. The Debt Service Fund is pledged for the payment of the principal of and interest on the Bonds when and as the same become due, including the principal of any Bonds required to be paid upon the mandatory sinking fund redemption thereof. The County Treasurer shall administer the Debt Service Fund and make disbursements therefrom in accordance with the Bond Resolution. Amounts in the Debt Service Fund will be transferred by the County Treasurer to the Paying Agent to the extent necessary to pay the principal of and interest and redemption premium (if any) on the Bonds when due. In addition, amounts on deposit in the Debt Service Fund will be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code.

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

Not a County Obligation

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

BOND INSURANCE

The District has applied for a policy of municipal bond insurance to insure some or all maturities of the Bonds. A decision regarding whether or not insurance will be obtained will be made at the time of pricing.

PROPERTY TAXATION

Property Tax Collection Procedures

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

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

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict the exact impact of such events on debt service with respect to the Bonds.

Taxation of State-Assessed Utility Property

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

Assessed Valuations

Assessed Valuation History. The table following shows a recent history of the assessed valuation of taxable property in the District.

GARVEY SCHOOL DISTRICT Assessed Valuation Fiscal Years 2016-17 through 2025-26

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2016-17	\$3,880,712,187	\$2,123,111	\$39,967,253	\$3,922,802,551	--%
2017-18	4,065,531,029	2,123,111	33,276,689	4,100,930,829	4.54
2018-19	4,265,065,507	2,123,111	34,925,980	4,302,114,598	4.91
2019-20	4,456,056,925	2,472,848	39,481,341	4,498,011,114	4.55
2020-21	4,661,627,490	2,532,848	40,178,873	4,704,339,211	4.59
2021-22	4,793,768,980	2,398,348	38,180,468	4,834,347,796	2.76
2022-23	5,033,337,536	2,398,348	40,693,490	5,076,429,374	5.01
2023-24	5,317,308,466	2,398,348	43,828,411	5,363,535,225	5.66
2024-25	5,602,816,485	2,646,176	47,392,998	5,652,855,659	5.39
2025-26	5,849,782,892	2,646,176	50,151,165	5,902,580,233	5.42

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. General Considerations. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, outbreaks of disease, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters which include but are not limited to earthquakes, fires/wildfires, floods, drought, mudslides and the consequences of climate change such as heat waves, droughts, sea level rise, extreme rain and floods, which could have an impact on assessed values. The State including the region in which the District is located has in recent years experienced significant natural disasters such as earthquakes, droughts, mudslides, wildfires and floods. Public health disasters such as the COVID-19 pandemic could also have direct and indirect impacts on economic conditions and property values.

Fire Risk and Recent Fire Events. In recent years there have been significant and generally unpredictable fire events within and around District boundaries. Fire and related events can cause damage and destruction to properties and cause assessed valuations to be reduced at times significantly, if not offset by assessed value increases.

On January 7, 2025, the Palisades Fire started in the Pacific Palisades area of Los Angeles County, destroying nearly 7,000 structures and damaging over 1,000 more. Several other fires subsequently broke out in Los Angeles County, destroying and threatening numerous structures, including the Eaton Fire in Altadena, which destroyed more than 9,000 structures and damaged 1,000 more. Although the Palisades Fire was in the vicinity of the District, no properties within the boundaries of the District were destroyed by the fire. The District cannot predict other fire events which may occur in the future.

Risk of Drought and Dry Conditions. The State has in recent years experienced periods of drought. Drought can result in limitations on water usage, as well as lead to dry conditions conducive to fires. According to the U.S. Drought Monitor, the State, including the County, is currently not experiencing drought conditions.

Earthquake Risk. The District is in a region with several earthquake fault lines. Earthquakes can cause significant property damage particularly to unretrofitted buildings. Such events cannot be predicted.

Global Pandemic/Outbreak of Disease. The outbreak of COVID-19 and the related pandemic of 2020 resulted in an economic recession that could cause general marked declines in property values. The District cannot predict other outbreaks of disease or pandemics which could occur in the future.

Future Conditions Unknown. The District cannot predict or make any representations regarding the effects that any disasters and related conditions, have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Assessed Valuation by Jurisdiction. The following table shows recent assessed valuation of local secured property within the District by jurisdiction.

**GARVEY SCHOOL DISTRICT
Assessed Valuations by Jurisdiction
Fiscal Year 2025-26**

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Monterey Park	\$1,734,219,727	29.38%	\$10,644,070,366	16.29%
City of Rosemead	3,013,339,838	51.05	\$6,442,389,702	46.77%
City of San Gabriel	700,217,047	11.86	\$7,494,322,933	9.34%
Unincorporated Los Angeles County	<u>454,803,621</u>	<u>7.71</u>	\$149,571,930,505	0.30%
Total District	\$5,902,580,233	100.00%		
Los Angeles County	\$5,902,580,233	100.00%	\$2,183,758,873,676	0.27%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use.

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

	2025-26	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u> ⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Commercial	\$676,581,781	11.57%	437	4.20%
Vacant Commercial	28,054,752	0.48	35	0.34
Industrial	102,046,222	1.74	72	0.69
Vacant Industrial	39,504,123	0.68	14	0.13
Recreational	2,333,179	0.04	14	0.13
Government/Social/Institutional	48,001,417	0.82	127	1.22
Miscellaneous	<u>2,510,554</u>	<u>0.04</u>	<u>103</u>	<u>0.99</u>
Subtotal Non-Residential	\$899,032,028	15.37%	802	7.71%
<u>Residential:</u>				
Single Family Residence	\$2,703,561,907	46.22%	5,685	54.68%
Condominium/Townhouse	591,977,072	10.12	1,372	13.20
Mobile Home Park	14,992,674	0.26	8	0.08
2-4 Residential Units	1,269,119,578	21.70	2,149	20.67
5+ Residential Units/Apartments	329,441,652	5.63	227	2.18
Vacant Residential	<u>41,657,981</u>	<u>0.71</u>	<u>153</u>	<u>1.47</u>
Subtotal Residential	\$4,950,750,864	84.63%	9,594	92.29%
Total	\$5,849,782,892	100.00%	10,396	100.00%

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

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Assessed Valuation of Single-Family Homes. The following table shows a breakdown of assessed valuation of single-family homes in the District on a per parcel basis.

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

	<u>No. of Parcels</u>	<u>2025-26 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	5,685	\$2,703,561,907	\$475,561	\$439,771

<u>2025-26 Assessed Valuation</u>	<u>No. of Parcels (1)</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	110	1.935%	1.935%	\$ 4,610,838	0.171%	0.171%
\$50,000 - \$99,999	416	7.318	9.252	31,790,753	1.176	1.346
\$100,000 - \$149,999	297	5.224	14.477	36,216,714	1.340	2.686
\$150,000 - \$199,999	270	4.749	19.226	47,076,335	1.741	4.427
\$200,000 - \$249,999	345	6.069	25.295	77,674,594	2.873	7.300
\$250,000 - \$299,999	433	7.617	32.911	119,333,817	4.414	11.714
\$300,000 - \$349,999	368	6.473	39.384	118,607,924	4.387	16.101
\$350,000 - \$399,999	351	6.174	45.558	131,972,988	4.881	20.983
\$400,000 - \$449,999	315	5.541	51.099	133,835,879	4.950	25.933
\$450,000 - \$499,999	347	6.104	57.203	165,050,835	6.105	32.038
\$500,000 - \$549,999	289	5.084	62.287	151,840,136	5.616	37.654
\$550,000 - \$599,999	334	5.875	68.162	192,043,977	7.103	44.758
\$600,000 - \$649,999	295	5.189	73.351	184,253,123	6.815	51.573
\$650,000 - \$699,999	245	4.310	77.661	165,219,008	6.111	57.684
\$700,000 - \$749,999	240	4.222	81.882	173,923,516	6.433	64.117
\$750,000 - \$799,999	202	3.553	85.435	156,610,713	5.793	69.910
\$800,000 - \$849,999	171	3.008	88.443	141,153,145	5.221	75.131
\$850,000 - \$899,999	146	2.568	91.011	127,824,680	4.728	79.859
\$900,000 - \$949,999	138	2.427	93.439	127,217,971	4.706	84.565
\$950,000 - \$999,999	78	1.372	94.811	76,049,069	2.813	87.378
\$1,000,000 and greater	<u>295</u>	<u>5.189</u>	100.000	<u>341,255,892</u>	<u>12.622</u>	100.000
	5,685	100.000%		\$2,703,561,907	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

value. Counties have at times applied reductions in assessed value unilaterally on a regional or “blanket-basis” due to events such as extensive fires or floods that damage a significant amount of properties in the same vicinity.

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

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

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

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Typical Tax Rates

Representative tax rate areas (“TRAs”) located within the District are TRAs 3917, 3925, and 3932. The table below shows the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in these TRAs during the most recent five-year period.

GARVEY SCHOOL DISTRICT Typical Tax Rates per \$100 of Assessed Valuation Fiscal Years 2021-22 through 2025-26

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26
<u>City of Rosemead – Tax Rate Area 3917⁽¹⁾</u>					
General Countywide	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Garvey School District	.118226	.115526	.116438	.145102	.160867
Los Angeles Community College District	.043759	.024882	.060231	.051361	.048543
Metropolitan Water District	.003500	.003500	.003500	.007000	.007000
Total	\$1.165485	\$1.143908	\$1.180169	\$1.203463	\$1.216410
<u>City of Monterey Park – Tax Rate Area 3925⁽²⁾</u>					
General Countywide	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
City of Monterey Park	.091175	.091175	.091175	.091175	.091175
Garvey School District	.118226	.115526	.116438	.145102	.160867
Los Angeles Community College District	.043759	.024882	.060231	.051361	.048543
San Gabriel Valley Municipal Water Dist.	.030000	.030000	.030000	.030000	.030000
Total	\$1.283160	\$1.261583	\$1.297844	\$1.317638	\$1.330585
<u>City of San Gabriel – Tax Rate Area 3932⁽³⁾</u>					
General Countywide	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
City of San Gabriel	.140000	.140000	.140000	.140000	.140000
Garvey School District	.118226	.115526	.116438	.145102	.160867
Los Angeles Community College District	.043759	.024882	.060231	.051361	.048543
Metropolitan Water District	.003500	.003500	.003500	.007000	.007000
Total	\$1.305485	\$1.283908	\$1.320169	\$1.343463	\$1.356410

(1) 2025-26 assessed valuation of TRA 3917 is \$2,056,880,163 which is 34.85% of the District's total assessed valuation.

(2) 2025-26 assessed valuation of TRA 3925 is \$1,586,974,623 which is 26.89% of the District's total assessed valuation.

(3) 2025-26 assessed valuation of TRA 3932 is \$347,236,253 which is 5.88% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

Changes in assessed valuation can impact the tax rates levied on an *ad valorem* basis.

Tax Levies and Delinquencies

The following table shows tax charges, collections and delinquencies for secured property in the District. Because the County does not participate in an Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the “**Teeter Plan**”), secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected.

The tables below show the secured tax charge and delinquency rate for the identified fiscal years, the first for the levy with respect to the one percent general fund apportionment, and the second for the levy for District bonded indebtedness.

GARVEY SCHOOL DISTRICT Secured Tax Charges and Delinquency Rates Fiscal Years 2019-20 through 2024-25

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent (June 30)	% Delinquent (June 30)
2019-20	\$2,702,233.52	\$60,509.08	2.24%
2020-21	2,830,422.93	47,899.56	1.69
2021-22	2,906,808.73	45,281.31	1.56
2022-23	3,047,687.88	47,285.03	1.55
2023-24	3,235,546.03	56,470.25	1.75
2024-25	3,419,432.84	85,151.80	2.49

Fiscal Year	Secured Tax Charge ⁽²⁾	Amount Delinquent (June 30)	% Delinquent (June 30)
2019-20	\$5,471,044.05	\$54,862.36	1.00%
2020-21	5,673,067.12	48,043.61	0.85
2021-22	5,679,549.93	46,598.47	0.82
2022-23	5,827,784.46	71,907.81	1.23
2023-24	6,214,360.55	87,704.16	1.41
2024-25	8,128,567.70	115,521.68	1.42

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

(2) General obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

Property tax delinquencies may be impacted by economic and other factors beyond the District’s or the County’s control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster.

Notwithstanding that the County does not operate a Teeter Plan, the District has participated in an annual program under which it sells its delinquent tax receivables to the California Statewide Delinquent Tax Finance Authority for a premium equal to 8% of the District’s delinquent property taxes. The District has participated in this program every year since 2002.

Major Taxpayers

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

GARVEY SCHOOL DISTRICT Largest Fiscal Year 2025-26 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2025-26 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Wal Mart Real Estate Business Trust	Commercial	\$ 42,152,536	0.72%
2.	Rosemead Hwang LLC	Shopping Center	41,469,107	0.71
3.	Leisure Court LLC	Apartments	34,853,400	0.60
4.	Golden State Water Company	Water Company	32,048,603	0.55
5.	AFG Investment Fund 5 LLC	Hospital	30,815,161	0.53
6.	Forever Enterprises LLC	Commercial	22,444,898	0.38
7.	Metodo Investments LLC	Industrial	22,058,795	0.38
8.	Garvey Garden Plaza LLC	Commercial	21,654,077	0.37
9.	Rosemead Storage Owner LLC	Industrial	19,382,652	0.33
10.	K Min Development LLC	Commercial	15,908,885	0.27
11.	Greenstate Holding Inc.	Undeveloped	13,927,026	0.24
12.	Talking LLC	Commercial	12,351,207	0.21
13.	Big Island Property LLC	Mobile Home Park	12,299,248	0.21
14.	Citadel Panda Express Inc.	Office Building	11,675,203	0.20
15.	Chuen Lau	Apartments	11,467,568	0.20
16.	Sun 6th LLC	Apartments	10,598,719	0.18
17.	Green Park Property LLC	Office Building	10,238,808	0.18
18.	David & Jane L. Law	Industrial	9,520,156	0.16
19.	Hawaii Property Inc.	Commercial	9,458,905	0.16
20.	Superco Enterprises LLC	Commercial	<u>9,217,038</u>	<u>0.16</u>
			<u>\$393,541,992</u>	<u>6.73%</u>

(1) Fiscal year 2025-26 local secured assessed valuation: \$5,849,782,892.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth on the following table is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

GARVEY SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt⁽¹⁾ Debt as of April 1, 2026

2025-26 Assessed Valuation: \$5,902,580,233

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/26</u>	
Metropolitan Water District	0.099%	\$ 15,885	
Los Angeles Community College District	0.479	22,530,963	
Alhambra Unified School District (High School Purpose Bonds)	23.369	29,157,430	(1)
Garvey School District	100.000	<u>64,044,779</u>	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$115,749,057	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	0.270%	\$10,159,450	
Los Angeles County Superintendent of Schools Certificates of Participation	0.270	4,925	
City of Monterey Park Pension Obligation Bonds	16.293	16,550,429	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$26,714,804	
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$8,028,379	
COMBINED TOTAL DEBT		\$150,492,240	(2)

Ratios to 2025-26 Assessed Valuation:

Direct Debt (\$64,044,779)	1.09%
Total Direct and Overlapping Tax and Assessment Debt	1.96%
Combined Total Debt	2.55%

Ratios to Redevelopment Incremental Valuation (\$877,055,541):

Total Overlapping Tax Increment Debt	0.92%
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(1) Excludes the Bonds described herein but includes the Refunded Bonds. See “THE REFINANCING PLAN.”

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall LLP, San Mateo, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

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

State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Other Tax Considerations

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

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

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

Form of Opinion

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

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal and interest requirements of the Refunded Bonds and (b) the “yields” on the amount of proceeds held and invested prior to redemption of the Refunded Bonds and on the Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended. See “THE REFINANCING PLAN.”

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

LITIGATION AND OTHER PROCEEDINGS

No Pending Litigation Relating to Bond Matters

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

Future and General Claims

The District is subject to lawsuits and claims that have arisen and/or may arise in the normal course of operating the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under existing lawsuits and claims, if any, will not materially affect the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

CYBERSECURITY RISKS

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats and/or fraud including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to District or other third-party systems related to the District for the purposes of misappropriating assets or information, causing operational disruption or damage, demanding ransom for restored access to files or information. The District could also be the subject of cyber fraud events.

In November 2019 the District experienced a cyber attack to its servers and computers that were on at the time of attack. Because the District backs up its systems to the Cloud, the impacts on the District's operations and the consequences of the attack were minimal. In order to minimize the risk of such events in the future, the District has strengthened its cyber awareness training for staff which occurs on an ongoing basis. The District also uses software that includes anti-phishing and spam filters, and recently enhanced its anti-virus software and security firewall. The District has a policy of insurance covering losses up to an insured amount due to cyber events.

The District has not in the previous five years had a major cyber breach to its systems. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District cannot predict what future cyber security events may occur, if any, with respect to it and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County Office of Education for certain purposes, and the County with respect to its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination agents and project management firms. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not directly or indirectly impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds, or timely filings pursuant to the Continuing Disclosure Certificate.

CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board on an annual basis (an "**Annual Report**") not later than nine months after the end of the District's fiscal year (which currently would be June 30), commencing March 31, 2027, with the report for the 2025-26 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and other required notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**") in the manner prescribed by the Securities Exchange Commission. The specific nature of such information is set forth below under the caption APPENDIX E – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

The District has made prior undertakings pursuant to the Rule. A survey of filing obligations and filings in the previous five years has been undertaken and no instances of material noncompliance were identified.

The District has appointed Isom Advisors, a Division of Urban Futures, Inc. to serve as dissemination agent for the Bonds and its other undertakings.

The County and no other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATING

Standard & Poor's Financial Services LLC (“**S&P**”) has assigned a rating of “A+” to the Bonds. Such rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement to the extent it has been determined to be not material for making an investment decision in the Bonds). There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc. (the “**Underwriter**”), has agreed to purchase the Bonds pursuant to a bond purchase agreement for the Bonds (the “**Bond Purchase Agreement**”). The Underwriter has agreed to purchase the Bonds at a price of \$_____, representing the principal amount of the Bonds, plus [net] original issue premium of \$_____ and less an Underwriter’s discount of \$_____. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds (if any are purchased), and it provides that the Underwriter’s obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

MISCELLANEOUS

Legality for Investment

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

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall LLP, as Bond Counsel and Disclosure Counsel to the District, the fees and expenses of Norton Rose Fulbright US LLP, Los Angeles, California, as counsel to the Underwriter, and the fees and expenses of Isom Advisors, a Division of Urban Futures, Inc., as Municipal Advisor to the District, is contingent upon issuance of the Bonds.

Additional Information

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

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

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

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EXECUTION

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

GARVEY SCHOOL DISTRICT

By: _____
Superintendent

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APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

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

GENERAL INFORMATION ABOUT THE DISTRICT

General Information

The District is an elementary school district formed in 1892 and is the second oldest elementary school in Los Angeles County (the “**County**”). The District is situated at the western end of the San Gabriel Valley, about 10 miles directly east of the City of Los Angeles. The District provides elementary education services in a four square-mile territory that includes portions of the Cities of Monterey Park, San Gabriel and Rosemead (together, “**the Cities**”) as well as unincorporated portions of the County. The District currently operates eight elementary schools for grades TK-6 and two intermediate schools for grades 7-8. Enrollment in the District for the 2025-26 academic year is projected for approximately 4,143 students. For demographic information regarding the Cities and the County, see APPENDIX C hereto.

Administration

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

BOARD OF EDUCATION Garvey School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Andrew Yam	President	November 2026
Ronald Trabanino	Vice President	November 2026
Maureen Chin	Clerk	November 2028
Paul Duran	Member	November 2028
John H. Nuñez	Member	November 2028

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Anita Chu is currently serving as the Superintendent and Marvin Lee is the Fiscal Services Director.

Recent Enrollment and ADA Trends

The following table shows historical enrollment and average daily attendance (“**ADA**”) for the District.

ANNUAL ENROLLMENT AND ADA Fiscal Years 2017-18 through 2025-26 Garvey School District

Fiscal Year	Enrollment	% Change	ADA*	% Change
2017-18	4,670	--%	4,525	--%
2018-19	4,574	(2.1)	4,448	(1.7)
2019-20¥	4,470	(2.3)	4,371	(1.7)
2020-21	4,431	(0.9)	4,371	0.0
2021-22	4,286	(3.3)	4,086	(6.5)
2022-23	4,279	(0.2)	4,045	(1.0)
2023-24	4,266	(0.3)	4,078	0.8
2024-25	4,240	(0.6)	4,065	(0.3)
2025-26†	4,143	(2.3)	4,071	0.1

*Represents funded ADA. Due to hold harmless legislation commencing in fiscal year 2019-20 due to the COVID-19 pandemic, ADA represents funded ADA, not actual ADA. The fiscal year 2022-23 State budget permitted school districts, on an on-going basis, to use the greater of the current year or prior year ADA or an average of the three prior years’ ADA for purposes of calculating LCFF funding entitlement.

¥ COVID-19 pandemic commenced in March 2020 during this fiscal year.

† Projected at Second Interim.

Source: California Department of Education; Garvey School District.

Employee Relations

The District has approximately 248 certificated full-time equivalent (“**FTE**”) employees, 196 classified FTE employees, and 29 management/supervisor/confidential FTE employees.

BARGAINING UNITS Garvey School District

Employee Group	Employee Type Represented	Current Contract Expiration Date
Garvey Education Association, CTA and NEA	Certificated	June 30, 2026
CSEA Garvey Chapter 292	Classified	June 30, 2026

Source: Garvey School District.

Compensation for both units has been settled through fiscal year 2025-26.

Insurance

The District is a member of two joint powers agencies ("**JPA**s"): the Mountain View, El Monte City, Rosemead, Garvey, and El Monte Union High School Districts ("**MERGE**") public entity risk pool, and the Alliance of Schools for Cooperative Insurance Program ("**ASCIP**"). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The District's policies include coverage for cyber incidents up to insured limits.

The MERGE JPA provides worker's compensation, property, and liability insurance for its member districts. ASCIP provides dental coverage, vision care, and life insurance for its member school districts. The MERGE JPA is governed by a board consisting of one representative from each member district. The governing board controls the operations of the JPA, independent of any influence by the member districts. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionally to its participation in the JPA.

See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025."

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DISTRICT FINANCIAL INFORMATION

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

Education Funding Generally

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

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the ADA for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of a district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues that exceeded their revenue limit entitlements were deemed a “Basic Aid District” and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded their revenue limit funding entitlement. A district which was not a Basic Aid District was known as a “Revenue Limit District.”

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

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 65% (which was increased from 50% as part of the State’s trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency’s base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district’s proportionate share of the appropriations included in the State budget (based on the percentage of each district’s students who are low-income, English learners, and foster youth (“**Targeted Students**”)), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap. The legislation implementing LCFF also included a “hold harmless” provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its fiscal year 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

Funding levels used in the LCFF entitlement calculations for fiscal year 2025-26 are set forth in the following table.

**Fiscal Year 2025-26 Base Grant Funding* Under LCFF
by Grade Span**

Entitlement Factor	TK/K-3	4-6	7-8	9-12
A. 2024-25 Base Grant per ADA	\$10,025	\$10,177	\$10,478	\$12,144
B. 2025-26 COLA for LCFF (A x 2.30%)	\$231	\$234	\$241	\$279
C. 2025-26 Base Grant per ADA before Grade Span Adjustments (A+B)	\$10,256	\$10,411	\$10,719	\$12,423
D. Grade Span Adjustments (TK-3: C x 10.4%; 9-12: C x 2.6%)	\$1,067	n/a	n/a	\$323
E. 2025-26 Base Grant/Adjusted Base Grant per ADA (C + D)	\$11,323	\$10,411	\$10,719	\$12,746

*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%, (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion of Unduplicated Pupil Percentage that exceeds 55%, times 65%, and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of \$5,545 times the school district’s current year TK ADA.

Source: California Department of Education.

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Basic Aid or Community Supported districts are school districts which have local property tax revenues which exceed such district's funding entitlement under LCFF. As such, in lieu of State funding under LCFF, Basic Aid districts are entitled to keep the full share of local property tax revenues, even the amount which exceeds its funding entitlement under LCFF. The District's funding formula is currently determined pursuant to LCFF, and not as a Basic Aid district.

District Accounting Practices

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

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

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

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

measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2025 Audited Financial Statements were prepared by Moss, Levy & Hartzheim, LLP, Culver City, California, and are attached hereto as Appendix B. Audited financial statements for the District for prior fiscal years are on file with the District at Garvey School District, 2730 North Del Mar Avenue, Rosemead, California 91770; telephone (626) 307-3400. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District may impose a charge for copying, mailing and handling.

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

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

Revenues	Audited 2020-21	Audited 2021-22	Audited 2022-23	Audited 2023-24	Audited 2024-25
LCFF sources					
State apportionment	\$25,047,436	\$24,905,177	\$44,244,187	\$43,233,518	\$35,878,677
Education Protection Account Funds	15,149,956	18,180,476	3,422,398	6,224,942	13,858,123
Local sources	6,881,265	7,115,520	8,444,598	8,568,694	8,951,118
Federal Revenues	13,531,245	13,588,289	15,275,339	7,830,784	4,235,061
Other state revenues	8,720,629	11,745,384	25,188,911	16,487,190	17,061,343
Other local revenues	4,371,146	3,571,221	5,159,482	6,537,706	7,949,789
Total Revenues	73,701,677	79,106,067	101,734,915	88,882,834	87,934,111
Expenditures					
Certificated salaries	26,182,111	28,218,308	31,312,900	32,041,090	31,838,283
Classified salaries	9,656,503	10,840,387	12,649,241	12,809,516	11,502,785
Employee benefits	17,856,272	20,631,477	23,254,229	22,795,053	23,330,314
Books and supplies	7,389,820	3,948,218	3,147,008	2,749,303	3,092,558
Services & operating exp.	6,846,752	9,524,156	14,381,745	15,298,115	19,164,954
Capital outlay	501,502	2,685,490	5,027,490	1,540,290	491,820
Other Outgo	(402,352)	104,258	1,360,822	(109,235)	883,745
Debt service: principal	--	137,078	1,344,232	233,586	132,956
Debt service: interest and fiscal charges	--	17,369	10,714	17,012	16,363
Total Expenditures	68,835,365	76,106,741	92,488,381	87,374,730	90,453,778
Excess of Revenues Over/(Under) Expenditures	4,866,365	2,999,326	9,246,534	1,508,104	(2,519,667)
Other Financing Sources (Uses)					
Proceeds from lease	--	427,946	--	692,496	--
Operating transfers in	--	--	--	--	--
Operating transfers out	--	--	--	--	--
Proceeds from SBITA	--	--	1,200,500	--	--
Total Other Financing Sources (Uses)	--	427,946	1,200,500	692,496	--
Net change in fund balance	4,866,365	3,427,272	10,447,034	2,200,600	(2,519,667)
Fund Balance, July 1	13,262,172	18,373,117	21,557,400	32,004,434	34,384,241
Prior Period Adjustments/Restatements	244,580	(242,989)	--	179,207	(386,004)
Fund Balance, July 1, restated	13,506,752	18,130,128	--	32,183,641	33,998,237
Fund Balance, June 30	\$18,373,117	\$21,557,400	\$32,004,434	\$34,384,241	\$31,478,570

(1) Columns may not sum to total due to rounding.
Source: Garvey School District - Audited Financial Statements.

District Budget and Interim Financial Reporting

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

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Los Angeles County Superintendent of Schools (the "**County Superintendent**"). The County Superintendent is separate from the County, and is not an official of the County.

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

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

A State law adopted in 1991 ("**A.B. 1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified

certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

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

District Budget Approval/Disapproval and Certification History. In the past five fiscal years, the County Superintendent has approved each of the District's adopted budgets, and the District has certified each of its interim reports as positive during said period.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 2730 North Del Mar Avenue, Rosemead, California 91770. The District may impose charges for copying, mailing and handling.

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District's General Fund Fiscal Year 2025-26 (Adopted Budget and Second Interim).
The following table shows the general fund figures for the District for fiscal year 2025-26 (adopted budget and second interim).

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2025-26
(Adopted Budget and Second Interim)
Garvey School District

	2025-26 Adopted Budget	2025-26 Second Interim
Revenues		
LCFF Sources	\$60,246,992	\$60,273,162
Federal revenues	4,554,194	4,612,746
Other state revenues	18,901,533	19,078,379
Other local revenues	7,257,587	8,164,136
Total Revenues	90,960,306	92,128,423
Expenditures		
Certificated Salaries	32,872,716	33,281,715
Classified Salaries	12,022,369	12,029,979
Employee Benefits	24,387,661	24,394,223
Books and Supplies	3,083,437	2,869,237
Services and Other Operating Expenditures	22,463,035	21,987,252
Capital Outlay	--	89,728
Other Outgo (excl. transfers of Ind. Costs)	1,213,864	1,213,864
Other Outgo-Transfers of Indirect Costs	(204,955)	(206,016)
Total Expenditures	95,838,127	95,659,982
Excess of Revenues Over/(Under) Expenditures	(4,877,821)	(3,531,559)
Other Financing Sources (Uses)		
Interfund Transfers In	--	--
Interfund Transfers Out	--	--
Other Sources/Uses	--	--
Total Other Financing Sources (Uses)	--	--
Net Change in Fund Balance	(4,877,821)	(3,531,559)
Fund Balance, July 1	31,276,987	31,276,987
Fund Balance, June 30*	\$26,399,166	\$27,745,428

*Totals may not foot due to rounding.
Source: Garvey School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. State law requires that school districts maintain available reserves at certain levels ranging between 1% to 5% of total expenditures and other financing uses, based on the school district's ADA. Based on the District's ADA, the applicable required reserve is 3%. The District currently maintains an unrestricted reserve which meets the State's minimum requirements.

Under State law (Education Code Section 42127.01), there are certain restrictions on the amount of reserves that can be maintained by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget shall not contain a combined

assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State’s Public School System Stabilization Account and is triggered in a fiscal year when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multiyear infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap was triggered in fiscal years 2022-23 and 2023-24 but was not triggered for fiscal year 2024-25 and was not triggered in fiscal year 2025-26.

Attendance - Revenue Limit and LCFF Funding

LCFF Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula that considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth the District’s funding trends from State sources since implementation of LCFF.

**LCFF FUNDING TRENDS
Fiscal Years 2021-22 through 2025-26 (Projected)
Garvey School District**

Fiscal Year	ADA*	Total LCFF Funding
2021-22	4,086	\$50,201,173
2022-23	4,045	56,111,183
2023-24	4,078	43,233,518
2024-25	4,065	58,687,918
2025-26 ⁽¹⁾	4,071	60,273,162

*ADA for funding purposes.
(1) Projected at Second Interim.
Source: California Department of Education; Garvey School District.

Unduplicated Pupil Count - Over 55 percent. The District’s unduplicated pupil count for purposes of calculating entitlement under LCFF for supplemental funding and concentration grant funding is approximately 83%. As such, the District expects to continue to be eligible for supplemental as well as concentration grant funding under LCFF.

Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government currently provides funding for several District programs, including special education programs, programs under Every Student Succeeds, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools. The District cannot predict if there will be suspensions, modifications, or eliminations to these funding sources.

In January 2025, the federal government announced possible cuts to federal funding for educational agencies. President Trump has also signed an executive order aimed at terminating the United States Department of Education. In a move which some pundits claim effectively terminates the United States Department of Education, the Supreme Court granted the Trump administration's request to temporarily pause an order by a lower federal judge that would have required the Department of Education to reinstate nearly 1,400 employees who were fired by President Trump's executive order. Furthermore, on July 1, 2025, President Trump announced that the administration would withhold \$6.2 billion in grants already allocated to school districts to support English learners, \$811 million of which was allocated for California schools. However, subsequently in late July 2025, the federal administration announced it was releasing roughly \$1.3 billion in grant money for schools, of which approximately \$158 million was for California schools. Other than what is described in the foregoing sentences, the District cannot predict the types of possible federal funding cuts that may occur, the extent of such cuts, if any, and the impact on the District's finances or operations as a result of the termination of the Department of Education.

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

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over fiscal year 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - State Funding of Education" below.

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

District Retirement Systems

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

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

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

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

STRS EMPLOYER CONTRIBUTION RATES
Garvey School District
Effective Dates of July 1, 2021 through July 1, 2025

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

Source: STRS

The State also continues to contribute to STRS, and its contribution rate in fiscal year 2024-25 was 8.328% and remains at 8.328% in fiscal year 2025-26.

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

STRS CONTRIBUTIONS
Garvey School District
Fiscal Years 2021-22 through 2025-26

Fiscal Year	Amount
2021-22	\$4,417,455
2022-23	5,074,787
2023-24	6,347,867
2024-25	6,664,556
2025-26 ⁽¹⁾	8,909,393

(1) Projected at Second Interim. Includes State on behalf contributions. Prior years are net of State contributions.

Source: Garvey School District.

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately \$88.7 billion, based on a market value of assets basis, as of June 30, 2024, which is the date of the last actuarial valuation.

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

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

**EMPLOYER CONTRIBUTION RATES (PERS)
Garvey School District
Fiscal Years 2021-22 through 2025-26⁽¹⁾**

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

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

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

**PERS CONTRIBUTIONS
Garvey School District
Fiscal Years 2020-21 through 2025-26**

Fiscal Year	Amount
2021-22	\$2,374,639
2022-23	3,004,098
2023-24	3,923,509
2024-25	4,442,330
2025-26 ⁽¹⁾	3,230,118

(1) Projected at Second Interim.
Source: Garvey School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately \$40.8 billion, based on a market value of assets, as of June 30, 2024, which is the date of the last actuarial valuation.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (“**PEPRA**”), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013

to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPPRA through collective bargaining.

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

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

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

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

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

Other Post-Employment Retirement Benefits

Plan Description. The post-employment benefits plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the District. Retirees are eligible for medical benefits if they retire at age 50 plus, have 10 plus years of District service, and were enrolled in CalSTRS plan at retirement. The District pays for 100% of premiums up to a maximum of \$1,150 per month for 2019 retirees, reduced to \$400 at age 65. A retiree can also elect a cash option equal to 50% of the maximum at the time of retirement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Membership of the Plan consists of 212 retirees and beneficiaries currently receiving benefits and 627 active plan members.

Eligibility.

Certificated employees.

Retirees age 55 to 65 with at least 15 years of service may choose among health plans offered by the District but shall pay the difference between the least expensive plan and the plan selected. Retirees have the option for dependent coverage solely at the retiree’s expense. Retirees age 55 to 65 with at least 15 years of service receive dental, vision, and life insurance at no cost to the retiree. Retirees have the option for dental and vision coverage for dependents solely at the retiree’s expense.

Classified employees.

Retirees age 55 to 65 with at least 20 years of service may choose among health plans offered by the District but shall pay the difference between the least expensive plan and the plan selected. Retirees have the option for dependent coverage solely at the retiree’s expense. Retirees age 55 to 65 with at least 20 years of service receive dental, vision, and life insurance at no cost to the retiree. (This benefit is currently limited to 18 retirees at a time.) If more than 18 retirees seek dental, vision, and life insurance coverage, they may be purchased solely at the retiree’s expense. Retirees age 55 to 65 with at least 10 years of service receive dental, vision, and vision coverage for the retiree and dependents solely at the retiree’s expense.

All employees.

After the age of 65, the District will pay an amount toward the cost of a Medicare supplement plan offered by the District’s provider for the retiree only. Retirees may purchase coverage for dependents solely at the retiree’s expense. Benefits are pro-rated based on a percentage of full-time equivalency.

Contributions. The contribution requirement of the Plan members and the District are established under a funding policy approved by the District’s Board, and may be amended by the District from time to time. The District’s funding policy is to contribute an amount sufficient to pay the current year’s retiree costs. For fiscal year 2025, the District contributed \$651,199 to the plan, all of which was used for current premiums and no prefunded benefits had been made.

Actuarial Assumptions and Other Inputs. The District’s total other post-employment benefits (“OPEB”) liability of \$24,666,766 was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions, applied

to all periods included in the measurement, unless otherwise specified: discount rate 4.71%, inflation 2.30%, aggregate payroll increases 2.75%, additional merit-based increases based on CalPERS merit salary increase tables, and annual healthcare cost trend rates of 4.0% in the first year, trending down to 4.0% over 50 years. The discount rate used to measure the total OPEB liability is 4.71%. The District's OPEB plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date. Mortality rates were based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS mortality rates are from the 2015 experience study and the CalPERS mortality rates are from the 2017 experience study.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2025, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
Garvey School District
Period June 30, 2024 through June 30, 2025

	Total OPEB Liability
Balance at June 30, 2024	\$25,518,433
Service Cost	1,018,729
Interest on the total OPEB liability	1,040,600
Difference between expected and actual experience	(335,325)
Changes of assumptions	(1,924,472)
Benefit payments	(396,994)
Implicit subsidy credit	<u>(254,205)</u>
Net changes	<u>(851,667)</u>
Balance at June 30, 2025	\$24,666,766

Source: Garvey School District.

OPEB Expense. For the year ended June 30, 2025, the District recognized an OPEB expense of \$1,270,514.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 6 of Appendix B to the Official Statement.

Existing Debt Obligations

General Obligation Bonds. The District has issued general obligation bonds and refunding general obligation bonds pursuant to voter approvals received in 2000, 2004, 2016, and 2024. The following table summarizes the District's outstanding general obligation bond (including refunding bonds) indebtedness.

GARVEY SCHOOL DISTRICT Summary of Outstanding General Obligation Bonds

Issue Date	Original Principal Amount	Name of Issue	Final Maturity	Amount Outstanding April 1, 2026
04/01/2004	\$6,999,519.25	Election of 2000 General Obligation Bonds, Series B	08/01/2033	\$3,512,938.00
06/23/2005	9,998,735.70	General Obligation Bonds, Election of 2004, Series 2005	06/01/2030	548,735.70
12/21/2006	10,999,989.35	General Obligation Bonds, Election of 2004, Series 2006	08/01/2031	3,789,059.60
06/04/2008	8,997,864.05	General Obligation Bonds, Election of 2004, Series 2008	08/01/2042	7,654,046.60
05/04/2017	10,000,000.00	Election of 2016 General Obligation Bonds, Series A	08/01/2046	8,700,000.00
10/04/2018	10,000,000.00	Election of 2016 General Obligation Bonds, Series B ⁽¹⁾	08/01/2048	8,280,000.00
08/13/2020	10,000,000.00	Election of 2016 General Obligation Bonds, Series C	08/01/2051	8,535,000.00
03/29/2023	10,000,000.00	Election of 2016 General Obligation Bonds, Series D	08/01/2047	9,570,000.00
10/03/2024	15,000,000.00	Election of 2024 General Obligation Bonds, Series A	08/01/2054	13,455,000.00
Totals	\$97,496,108.35	--	--	\$64,044,779.90

(1) Expected to be refunded with the Bonds described in this Official Statement.
Source: Garvey School District.

The District has unissued bond authorization from its 2024 bond election in the amount of \$45 million. The District Board may be presented with a resolution authorizing a second series of bonds pursuant to said authorization to occur in Fall of 2026.

Compensated Absences. The District accrues accumulated unpaid vacation, sick leave and associated employee-related costs. The District at June 30, 2025, had an outstanding accrued balance of unpaid vacation, sick leave, and associated employee related costs of \$10,121,321 that will be liquidated from various funding sources in future years.

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Investment of District Funds

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

Effect of State Budget on Revenues

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

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

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STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the "LAO"). Neither the District, the Underwriter nor the County is responsible for the information provided in this section.

State Budgeting for Education Generally

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

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

The Budget Process

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

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

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

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

Available Public Resources

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

- www.treasurer.ca.gov: The California State Treasurer internet home page, under the link to “Bond Finance” and sub-heading “-Public Finance Division”, includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.
- www.dof.ca.gov: The California Department of Finance’s (the “**DOF**”) internet home page, under the link to “California Budget”, includes the text of proposed and adopted State Budgets.
- www.lao.ca.gov: The LAO’s internet home page includes a link to “-The Budget” which includes analyses and commentary on fiscal outlooks.

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

The 2025-26 State Budget

On June 27, 2025, the Governor signed the fiscal year 2025-26 State Budget (the “**2025-26 State Budget**”). Despite continued uncertainty driven by recent federal policy changes, including broad-based tariffs that have slowed economic growth, the 2025-26 State Budget outlines a balanced fiscal plan while maintaining significant reserves.

The 2025-26 State Budget reflects a decrease of \$11.0 billion in General Fund revenues from 2024-25 (\$215.7 billion in 2025-26 compared to \$226.7 billion in 2024-25) primarily due to projected decreases in corporation and personal income tax collections. The 2025-26 State Budget reflects a decrease in General Fund expenditures of \$5.2 billion from 2024-25 (\$228.4 billion in 2025-26 compared to \$233.5 billion in 2024-25) primarily reflecting broad spending decreases for all major spending categories with the exception of expenditures for health and human services, which sees a significant funding increase driven by the expansion of Medi-Cal.

Regarding the State’s reserves and fund balances, the 2025-26 State Budget continues the drawing down of the State’s Budget Stabilization account that began in fiscal year 2024-25 with a withdrawal of \$7.1 billion and completes the drawdown of the Public School System Stabilization Account with a withdrawal of the remaining \$0.4 billion.

The 2025-26 State Budget projects an \$11.8 billion General Fund shortfall after accounting for reserves drawdowns, driven by rising costs due to growth in Medi-Cal and other core State programs. The 2025-26 State Budget addresses the shortfall primarily through spending reductions and structural reforms, while maintaining support for key programs. The specific solutions used to close the budget gap include the following:

- *Medi-Cal Enrollment Freeze* - \$77.9 million reduction in fiscal year 2025-26, increasing to \$3.3 billion by fiscal year 2028-29.

- *Medi-Cal Premium Collection For Certain Adults* – Initial cost of \$30 million in fiscal year 2026-27, shifting to \$675 million in savings in fiscal year 2028-29 due to collection of Medi-Cal premiums from undocumented adults.
- *Medi-Cal Asset Limit Implementation* – \$61.3 million in fiscal year 2025-26, rising to \$827.4 million by fiscal year 2028-29.
- *Programmatic Reductions* – Reductions in rural health clinics, specialty drug coverage, and pharmacy rebates totaling over \$3.5 billion by fiscal year 2028-29.
- *Ongoing Reductions* – \$221.7 million annually beginning in fiscal year 2026-27 for Quality Incentive Payment Program changes.

The 2025-26 State Budget raises an estimated \$7.8 billion in additional resources, including \$1.3 billion from Medi-Cal rate increase in fiscal year 2025-26, \$4.4 billion in loans from the Medical Providers Interim Payment Fund, \$1.5 billion in loans from additional special funds and interfund borrowing, and a \$7.1 billion withdrawal from the Budget Stabilization Account, as authorized by the prior fiscal year.

Additional balancing measures comprise \$1.2 billion in funding shifts primarily related to the costs of CalFIRE operations moving from the General Fund to the Greenhouse Reduction Fund for Forestry and Fire Protection. The 2025-26 State Budget also makes two future commitments (subject to appropriation) totaling \$457.1 million in fiscal year 2027-28, growing to \$163.2 million in fiscal year 2028-29, for California Food Assistance Program expansion and \$338.9 million in fiscal year 2027-28, growing to \$522.1 million in fiscal year 2028-29, for payment to the State's foster care tiered rate structure.

The 2025-26 State Budget projects total resources available in fiscal year 2024-25 of approximately \$268.7 billion, including revenues and transfers of approximately \$226.7 billion and a prior year balance of approximately \$42.0 billion, and total expenditures in fiscal year 2024-25 of approximately \$233.6 billion. The 2025-26 State Budget projects total resources available for fiscal year 2025-26 of approximately \$250.9 billion, inclusive of revenues and transfers of approximately \$215.7 billion and a prior year balance of approximately \$35.1 billion. The 2025-26 State Budget projects total expenditures in fiscal year 2025-26 of approximately \$228.4 billion, inclusive of non-Proposition 98 expenditures of approximately \$147.6 billion and Proposition 98 expenditures of approximately \$80.7 billion. The 2025-26 State Budget projects total reserve balances of \$15.7 billion at the end of fiscal year 2025-26. This includes \$11.2 billion in the State Rainy Day Fund, \$4.5 billion in the State's SFEU, and \$0 in the Proposition 98 Rainy Day Fund. The 2025-26 State Budget includes total funding of \$137.6 billion for all K-12 education programs, including \$80.5 billion from the State's general fund and \$57.1 billion from other funds. The 2025-26 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2025-26 State Budget include:

Proposition 98 Minimum Guarantee. The 2025-26 State Budget reflects updated estimates of general fund revenues, which result in adjustments to the Proposition 98 minimum guarantee. The revised minimum guarantee for TK-14 schools is estimated at \$98.5 billion for 2023-24, \$119.9 billion for 2024-25, and \$114.6 billion for 2025-26,

an increase of approximately \$3.9 billion over the three-year period relative to the 2023-24 State Budget. Because the minimum guarantee for 2024-25 will not be finalized until the fiscal year is certified in calendar year 2026, the 2025-26 State Budget proactively appropriates the 2024-25 minimum guarantee at \$118 billion, establishing a \$1.9 billion “settle up” to avoid over-appropriation. The 2025-26 State Budget expresses intent to apply any realized settle-up funds toward reducing ongoing TK-14 deferrals and safeguarding core program funding for school districts and community colleges, including funding for growth and cost-of-living adjustments.

The minimum guarantee remains in a Test 2 for 2023-24, though suspended at \$98.5 billion, and shifts to a Test 1 in both 2024-25 and 2025-26. In Test 1 years, the guarantee equals approximately 40 percent of general fund revenues, in addition to local property tax revenues. Under Proposition 98, this calculation is not adjusted for enrollment, which results in increased per-pupil funding. The guarantee is “rebenched” to reflect both the continued implementation of universal TK and property tax backfills resulting from the January 2025 wildfires in Los Angeles County. As a result, the applicable Test 1 percentage increases from 39.2 percent to 39.6 percent of general fund revenues.

Proposition 98 Rainy Day Fund. The 2025-26 State Budget maintains the full withdrawal of the \$8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24. The May Revision to the 2024-25 State Budget Proposal, released on May 10, 2024, included a mandatory deposit of \$540 million into the Rainy Day Fund. However, revised capital gains revenue projections reduce that deposit to \$455 million in fiscal year 2024-25. A year-over-year decrease in the Proposition 98 minimum guarantee triggers a mandatory withdrawal of \$455 million in fiscal year 2025-26, fully exhausting the remaining fund balance.

Proposition 98 Funding Split. In prior years, 10.93 percent of the general fund amounts rebenched into the Proposition 98 minimum guarantee for transitional kindergarten expansion were allocated to the community colleges budget, consistent with the statutory Proposition 98 funding split. Over the three-year budget window, this resulted in \$492.4 million being directed to community colleges, leaving TK-12 schools without an equivalent amount to support transitional kindergarten expansion. Beginning in fiscal year 2025-26, the 2025-26 State Budget shifts the full amount of transitional kindergarten expansion funding (\$232.9 million) to the TK-12 portion of the Proposition 98 budget.

Local Control Funding Formula. The 2025-26 State Budget includes a 2.3 percent cost-of-living adjustment to LCFF. Combined with population growth adjustments, this results in an additional \$2.1 billion in discretionary funding for local educational agencies (“LEAs”) relative to the 2024-25 State Budget. To fully fund LCFF costs in fiscal year 2025-26, the 2025-26 State Budget withdraws approximately \$405.3 million from the Proposition 98 Rainy Day Fund.

Deferrals. The 2025-26 State Budget fully repays \$246.6 million in TK-12 education deferrals from fiscal year 2024-25. However, in order to maintain principal apportionment levels in 2025-26, the 2025-26 State Budget defers \$1.9 billion in LCFF funding from June 2026 to July 2026.

Universal Transitional Kindergarten. To support full implementation of universal transitional kindergarten by September 1, 2025, the 2025-26 State Budget provides \$2.1

billion in ongoing Proposition 98 general fund resources, inclusive of all prior years' investments. An additional \$1.2 billion in ongoing Proposition 98 general fund resources is included to reduce the average student-to-adult ratio from 12:1 to 10:1.

Before School, After School, and Summer School. To increase access to the Expanded Learning Opportunities Program, the 2025-26 State Budget provides \$515.1 million in ongoing funds, broadening eligibility from LEAs with a 75 percent unduplicated pupil rate to those with a 55 percent rate. Additionally, \$10.4 million is provided to increase the minimum grant per LEA from \$50,000 to \$100,000.

Literacy Instruction. The 2025-26 State Budget allocates \$480 million to enhance literacy instruction aligned with the English Language Arts/English Language Development Framework for all students.

Teacher Professional Development and Preparation. To support teachers and strengthen the educator pipeline, the 2025-26 State Budget provides \$300 million in one-time Proposition 98 general fund resources for a Student Teacher Stipend Program, which will offer grants to teacher candidates completing student teaching between 2026-27 and 2028-29. An additional \$70 million of one-time Proposition 98 general fund resources supports teacher residency programs, and \$30 million in one-time Proposition 98 general fund resources extends the National Board Certification Incentive Program to encourage placement of certified teachers in high-poverty schools.

Student Support and Professional Development Discretionary Block Grant. The 2025-26 State Budget provides \$1.7 billion in one-time Proposition 98 general fund resources for the Student Support and Professional Development Discretionary Block Grant to assist LEAs with rising costs and advancing statewide priorities.

State Preschool Program. To enhance early childhood education, the 2025-26 State Budget includes approximately \$19.3 million of Proposition 98 general fund resources and \$10.2 million in non-Proposition 98 general fund resources for the California State Preschool Program. It further authorizes the Department of Education to expand State Preschool Program provider contracts for three-year-olds by 10 percent, implement prospective pay, and automate contract payments.

Other Significant Budget Adjustments. The 2025-26 State Budget includes \$378.6 million in one-time Proposition 98 general fund resources for learning recovery initiatives through 2027-28, \$150 million for career technical education and pathways programs pending legislation, and \$145 million to improve school meal infrastructure. An additional \$10 million is allocated for school food service workforce requirement and \$5 million for a study of ultra-processed foods offered in State school meals.

Further allocations include \$30 million over three years for Special Olympics programs in Northern and Southern California; \$30 million for the Mathematics Professional Learning Partnership; \$21.9 million in ongoing funding for the SUN Bucks Program, which provides summer nutrition support; and \$20 million to implement the Children and Youth Behavioral Health Initiative's all-payer fee schedule.

The 2025-26 State Budget also provides approximately \$10 million for a pilot program, administered by the California Collaborative of Educational Excellence, to support middle and high school redesign and peer learning. Another \$10 million to the California

Department of Education supports the development of a screener to identify multilingual learners in transitional kindergarten and authorizes the State Superintendent of Public Instruction to adopt a screening instrument for children ages 3-4 enrolled in transitional kindergarten classrooms. Finally, \$7.5 million is available through the 2026-27 fiscal year to offset potential LCFF apportionment reductions caused by the recent exemption of transitional kindergarten students from the English language proficiency assessment.

For the full text of the 2025-26 State Budget, see the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

LAO Analysis of the 2025-26 State Budget. The LAO, a nonpartisan State office which provides fiscal and policy information and advice to the State legislature, released its report on the 2025-26 State Budget entitled “The 2025-26 Budget: Overview of the Spending Plan” on October 16, 2025 (the “**2025-26 State Budget Analysis**”). In the 2025-26 State Budget Analysis, the LAO assesses the budget shortfall that was addressed in the 2025-26 State Budget and analyzes the major proposals for K-14 education.

The LAO notes that the State faced a budget shortfall for the third year in a row requiring the State to adopt more ongoing solutions. The estimated budget shortfall was \$15.0 billion, which was smaller compared to deficits of \$55.0 billion in fiscal year 2024-25 and \$27.0 billion in fiscal year 2023-24. The LAO notes that part of the reason the State continued to face a budget problem is that the underlying costs of State services continue to outpace the State’s revenue collections. In particular, despite higher revenues in major taxes, about \$4 billion of the budget problem results from new, discretionary General Fund spending in the budget package, as well as some budget actions adopted in a special session. The measures approved in the special session provided funding for (1) response and recovery costs related to the January 2025 Southern California wildfires and (2) activities to address federal government actions impacting the State.

The LAO notes that the 2025-26 State Budget uses various maneuvers to address the budget shortfall, including reserve withdrawals, spending reductions, revenue increases, and borrowing (for example, loaning money from other funds to the General Fund). However, the LAO indicates that the 2025-26 State Budget primarily relies on borrowing to close the gap, which accounts for \$10.0 billion and approximately two-thirds of the total solutions. This borrowing increases the total outstanding budgetary borrowing from \$12.0 billion to \$22.0 billion. The LAO notes that this borrowing is similar to the measures used during the Great Recession of 2008. After borrowing, spending-related solutions, including both spending reductions and fund shifts, total \$5.0 billion and represent nearly all of the remaining one-third of the total solutions. Revenue-related solutions, totaling about \$300.0 million, represent the small remainder. The LAO notes that while the State is also making a \$7.1 billion withdrawal from the State Rainy Day Fund (also known as the Budget Stabilization Account) in fiscal year 2025-26, this withdrawal was not reflected in the 2025-26 State Budget Analysis because it was authorized last year in the 2024-25 State Budget.

The LAO notes that while the 2025-26 State Budget partially addresses the State’s multi-year deficits, it expects budget deficits to persist. Based on the State’s June 2025 projections and assumptions, annual operating deficits are projected to range from roughly \$15 billion to \$25 billion throughout the outlook period (i.e., 2026-27 through 2028-29), which would need to be

addressed by the Legislature. The LAO notes, however, that these multi-year estimates are subject to considerable uncertainty and should be interpreted cautiously.

In summarizing the overall condition of the General Fund budget, the condition of the school and community college budget and State appropriations limits, as estimated by the administration, the LAO notes the following: (1) the State's reserves total nearly \$16 billion at the end of fiscal year 2025-26, with the state reserve for schools and community colleges fully withdrawn by the end of fiscal year 2025-26; (2) the State expects revenues from major tax sources to grow 10.0% from fiscal year 2023-24 to fiscal year 2024-25, however the 2025-26 State Budget also projects revenues from said tax sources to decrease by 15.0% from fiscal year 2024-25 to fiscal year 2025-26; and (3) federal funding is expected to remain flat between 2024-25 and 2025-26 but the 2025-26 State Budget projections do not include any potential effects of House Resolution 1: One Big Beautiful Bill Act, which was signed by President Trump on July 4, 2025.

The LAO indicates that the 2025-26 State Budget reduces spending in fiscal year 2025-26 by deferring \$2.3 billion in payments to fiscal year 2026-27, of which \$1.9 billion pertains to schools. The State will implement this school funding deferral by shifting a portion of the June 2026 payment to July 2026. School districts and charter schools that can demonstrate the delay would make them unable to meet their financial obligations are exempt from the deferral. The remaining \$408.0 million in deferrals pertain to community colleges, moving payments from May and June 2026 to July 2026. The purpose of these deferrals is to free up funding for additional one-time and ongoing spending that would otherwise exceed the available Proposition 98 funding in fiscal year 2025-26.

The foregoing is only a summary of certain provisions of the 2025-26 State Budget Analysis. For the full text, see the LAO website at www.lao.ca.gov. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

The 2026-27 State Budget Proposal

The Governor sent the fiscal year 2026-27 budget proposal to the legislature on January 9, 2026 (the "**2026-27 State Budget Proposal**"). While, the 2026-27 State Budget Proposal presents a balanced budget, with a discretionary reserve of \$4.5 billion, it projects a deficit of roughly \$22 billion in the 2027-28 fiscal year and budget shortfalls in the two years following. A stronger-than-anticipated performance of the stock market and cash receipts, combined with an improved economic outlook, are noted as contributors to an upgraded revenue forecast, with General Fund revenues, before accounting for transfers and tax policy proposals, projected to be higher by approximately \$4.5 billion than was assumed in the 2025-26 State Budget for the three-year budget window of fiscal years 2024-25 through 2026-27. However, the proposal warns that the revenue increase is largely attributable to a small number of technology companies and cannot be sustained indefinitely at high levels. It also warned of federal policy changes, including proposals relating to federal budget reconciliation, and unpredictable future federal policies that might negatively impact tariffs, immigration, inflation, investments, the labor market and overall demand.

The 2026-27 State Budget Proposal provides for \$248.3 billion in general fund spending and nearly \$23 billion in combined reserves—including nearly \$14.4 billion in the State's Rainy

Day Fund and an additional discretionary set-aside of \$4.5 billion in the Special Fund for Economic Uncertainties and \$4.1 billion in the Public School System Stabilization Account. Although the proposal is noted as balanced, it anticipates shortfalls in subsequent fiscal years that are driven by expenditures exceeding revenues, promising additional decisions at the May Revision to maintain a balanced budget in the coming years. Noted risk factors relating to the economy and State revenues include stock market and asset price volatility and declines, particularly those affecting high-income earners - as well as unpredictable federal policies.

Certain budgeted programs and adjustments for TK-12 education set forth in the 2026-27 State Budget Proposal include Proposition 98 funding for K-14 schools set at \$125.5 billion for 2026-27 (although some funding is subject to settle-up), and a LCFF cost-of-living adjustment of 2.41%. It also proposes the repayment of around \$1.9 billion in previous funding deferrals to improve school cash flow. The proposal also reflects continued support of implementation of universal transitional kindergarten, and ongoing support for before-, during-, and after-school programs through the Expanded Learning Opportunity Program. The 2026-27 State Budget Proposal would also allocate an additional \$215 million to build on previous investments in the Literacy Coaches and Reading Specialists Grant Program.

Significantly, the 2026-27 State Budget Proposal proposes to implement recommendations of the Legislature's 2002 report, California's Master Plan for Education, by moving oversight of California's education system and ultimate responsibility for state oversight and support of local educational agencies for the Department of Education to the executive branch, greatly enhancing the role of the State Superintendent.

The May Revision will be released by the Governor around May 14, 2026 and will update the budget proposal with revised economic and revenue outlooks and other estimates and assumptions, and may contain modifications to or removal of policy initiatives included in the 2026-27 State Budget Proposal.

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

LAO Analysis of the 2026-27 State Budget Proposal

The LAO released its overview and initial analysis of the 2026-27 State Budget Proposal on January 10, 2026 (the "**2026-27 LAO Analysis**"). The 2026-27 LAO Analysis concludes that, under the Governor's assumptions, the budget is roughly balanced, reflecting an estimated deficit of approximately \$3 billion. This represents an improvement compared with the LAO's November Fiscal Outlook, which projected a budget deficit of approximately \$18 billion. The LAO attributes the State's substantially higher revenue forecast to two factors: first, the proposal does not incorporate the significant risk of a stock market downturn; and second, higher projected revenues are partially offset by increased baseline spending, including constitutionally required expenditures and growing program costs.

The LAO identifies stock market volatility as the most significant risk to the State's revenue outlook. The analysis notes that several historically reliable indicators suggest equity markets are overheated and at elevated risk of a downturn within the next year or two. A market correction

would materially reduce personal income tax revenues and could quickly worsen the State's fiscal position. The LAO cautions that failing to incorporate this downside risk into the 2026-27 State Budget Proposal places the State on precarious fiscal footing, particularly given that the proposal is only marginally balanced even under optimistic revenue assumptions.

Both the 2026-27 LAO Analysis and the 2026-27 State Budget Proposal project persistent multiyear operating deficits. The LAO estimates that annual deficits could range between approximately \$20 billion to \$35 billion, while the 2026-27 State Budget Proposal projects operating deficits of roughly \$27 billion in fiscal year 2027-28, \$22 billion in fiscal year 2028-29, and \$23 billion in fiscal year 2029-30. The LAO characterizes these deficits as structural rather than cyclical, noting that deficits have persisted despite economic growth and rising revenue in addition to the State already addressing a cumulative \$125 billion in budget problems over recent years. The LAO expresses concern that the State's fiscal challenges have become chronic and raise significant questions concerning long-term fiscal sustainability.

The LAO acknowledges that the State recognizes the risks associated with revenue volatility and multiyear structural deficits, but concludes that the 2026-27 State Budget Proposal does not materially address either challenge. The LAO recommends that the Legislature explicitly recognize downside revenue risk by adopting the LAO's more conservative revenue forecast, maintain required reserve deposits, set aside funds associated with delayed settle-up obligations into reserves rather than using them for ongoing commitments, and adopt a multiyear plan to reduce at least half of projected structural deficits through ongoing budget solutions. The LAO cautions that delaying corrective action until further budget cycles increases fiscal risk and limits the Legislature's ability to implement deliberate and sustainable solutions.

The 2026-27 LAO Analysis is available on the LAO website at www.lao.ca.gov. *The reference to this Internet website is shown for reference and convenience only and the information contained on such website is not incorporated by reference into this Official Statement. The information contained on this website may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Disclaimer Regarding State Budgets. The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2025-26 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations. However, the Bonds described herein are secured by *ad valorem* property taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIII A of the California Constitution

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

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

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

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

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

Article XIII B of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIII C and XIII D of the California Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) 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; (b) 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; (c) 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; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

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

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

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became

effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

Proposition 111

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

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

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

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

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there

are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (a) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (b) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (c) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond

funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

The Bonds described in this Official Statement were authorized pursuant to the provisions of Proposition 39 and will be issued in compliance with Proposition 39 and its related legislation.

Proposition 1A and Proposition 22

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

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

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

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment, also known as "**Proposition 30**", temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases for such period the marginal personal income tax rate by: (a) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for head of household filers and over \$500,000 but less than \$600,000 for joint filers), (b) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for head of household filers and over \$600,000 but less than \$1,000,000 for joint filers), and (c) 3% for taxable income over \$500,000 for single filers (over \$680,000 for head of household filers and over \$1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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

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

California Senate Bill 222

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015, and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* property tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds, such as the Bonds, as secured debt in bankruptcy due to the existence of a statutory lien.

Proposition 19

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

Proposition 2 (2024)

The Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair and Safety Bond Act of 2024, also known as “Proposition 2”, was approved by State voters at the November 5, 2024 statewide election, and 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 (including charter schools), community colleges and career technical education programs, including the improvement of health and safety conditions and classroom upgrades.

Proposition 2 includes \$3.3 billion for the construction of new K-12 facilities and an additional \$4 billion for the modernization of existing K-12 facilities. Up to 10% of the allocation for new constructions and modernization will be reserved for 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 remediation 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.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 22, 26, 30, 39 and 2 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2025**

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**GARVEY SCHOOL DISTRICT
OF LOS ANGELES COUNTY
ROSEMEAD, CALIFORNIA**

AUDIT REPORT
June 30, 2025

GARVEY SCHOOL DISTRICT

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June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Garvey School District
Rosemead, California

Report on the Audit of the Financial Statements

Opinions

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2024-2025 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, prescribed by title 5, California Code of Regulations, Section 19810*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the District implemented the provisions of GASB Statement No. 101, Compensated Absences and GASB Statement No. 102, Certain Risks and Uncertainties, for the fiscal year ended June 30, 2025. The implementation of these standards required the District to revise the accounting and reporting of compensated absences, risk disclosures, and related note disclosures. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, the budgetary information of the general fund on page 53, the budgetary information of the child development special revenue fund on page 54, the Schedules of Proportionate Share of Net Pension Liability on pages 55 and 56, the Schedules of Pension Contributions on pages 57 and 58, the Schedule of Change in Net OPEB Liability and Related Ratios on page 59, and the Schedule of Proportionate Share of Net OPEB Liability on page 60, and the Schedule of OPEB Contributions on page 61, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, are presented for purposes of additional analysis 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, Subpart F-Audit Requirements and are not required parts of the basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 27, 2026

**GARVEY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2025**

This discussion and analysis of Garvey School District’s financial performance provides an overview of the District’s financial activities for the fiscal year ending June 30, 2025. Please read it in conjunction with the independent auditor’s report, notes to the basic financial statements, and the basic governmental-wide financial statements, which immediately follow this section, in order to enhance the understanding of the District’s financial performance.

FINANCIAL HIGHLIGHTS

- The District’s net position (deficit) for governmental activities increased from (\$31.6) million to (\$39.2) million.
- Governmental activities expenses totaled \$122.9 million, while revenues totaled \$115.3 million.
- the District issued 2024 General Obligation Bonds Series A in the amount of \$15 million with stated interest rates 5.00%.
- Total governmental fund balances increased by \$5.8 million.
- General Fund reserves decreased by \$2.5 million. General Fund revenues were \$87.9 million, and expenditures were \$90.5 million.

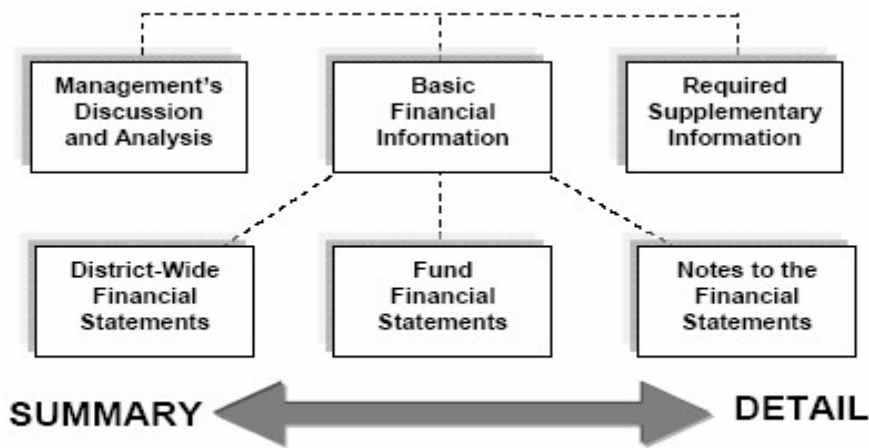
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
 - The governmental funds’ statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Proprietary fund’s statements reported services for which the District charges a fee.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Garvey School District’s Annual Financial Report



GARVEY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2025

Figure A-2 summarizes the major features of the District’s financials statements, including what portion of the District’s activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire District,	The activities of the District that are not proprietary, such as special education and building maintenance	The activities that provide supplies and services for the District's other programs and activities
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long -term	Only assets expected to be used up and liabilities that come due during the fiscal year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long -term
<i>Type of inflow/outflow information</i>	All revenues and expenses during fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the fiscal year: expenditures when goods or services have been received and payment is due during the fiscal year or soon thereafter	All revenues and expenses during fiscal year, regardless of when cash is received or paid

The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the 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 District’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 government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows and liabilities and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases and decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.
- In the government-wide financial statements, the District’s activities are categorized as Governmental Activities. Most of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

GARVEY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2025

Fund Financial Statements

The fund financial statements provide detailed information about the District’s most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term liabilities) or to show that it is properly using certain revenues (like Federal grants).

The District has two types of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how cash and other financial assets that can readily be converted to cash flow and the balances left at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information in separate reconciliation statements that explains the relationship between them.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

We use internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund-the employee insurance fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s combined net position (deficit) on June 30, 2025 was (\$39,236,297). (See Table A-1.)

Table A-1.

	Governmental Activities (In Millions)		Variance Increase (Decrease)
	2024 (Restated)	2025	
Current and other assets	\$ 61.8	\$ 72.4	\$ 10.6
Capital assets	88.4	95.1	6.7
Total assets	150.2	167.5	17.3
Deferred outflows of resources	30.3	26.7	(3.6)
Long-term liabilities outstanding	186.7	200.1	13.4
Other liabilities	12.6	16.4	3.8
Total liabilities	199.3	216.5	17.2
Deferred inflows of resources	12.8	17.0	4.2
Net Position			
Net investment in capital assets	32.9	32.4	(0.5)
Restricted	30.4	28.3	(2.1)
Unrestricted	(94.9)	(100.0)	(5.1)
Total net position	\$ (31.6)	\$ (39.3)	\$ (7.7)

GARVEY SCHOOL DISTRICT
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 June 30, 2025

Changes in net position, governmental activities. The District’s total revenues were \$115.3 million (See Table A-2). This represents a 1.2% increase from the previous fiscal year.

The total cost of all programs and services was \$122.9 million. Of this amount, 69.2% was related to directly educating and caring for students. The purely administrative activities of the District accounted for approximately 14.8% of total costs.

Table A-2.

	Governmental Activities (In Millions)		Variance Increase (Decrease)
	2024	2025	
Total Revenues	\$ 113.9	\$ 115.3	\$ 1.4
Total Expenses	114.4	122.9	(8.5)
Increase (decrease) in Net Position	<u>\$ (0.5)</u>	<u>\$ (7.6)</u>	<u>\$ (7.1)</u>

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this fiscal year, its governmental funds reported a combined fund balance of \$54.7 million, an increase from last fiscal year’s ending fund balance of \$5.8 million.

General Fund Budgetary Highlights

During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate known changes. A budgetary comparison schedule is presented in this report:

Variances between the original budget and final budget amounts were created by:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

GARVEY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2024-25 fiscal year, the District had invested \$12,055,028 in new capital assets. (Information about capital assets can be found in Note 5 to the financial statements.) Total depreciation and amortization expense for the fiscal year exceeded \$4.8 million.

Table A-3 Capital Assets at Fiscal Year-End, Net of Depreciation/Amortization

	Governmental Activities (In Millions)		Variance Increase (Decrease)
	2024	2025	
Land	\$ 1.7	\$ 1.7	\$ -
Site improvements	7.2	9.7	2.5
Buildings	66.4	74.4	8.0
Machinery & Equipment	3.1	3.5	0.4
Construction in progress	9.0	5.3	(3.7)
Right to use assets	0.6	0.5	(0.1)
Subscription-based information technology arrangements	0.4		(0.4)
	<u>\$ 88.4</u>	<u>\$ 95.1</u>	<u>\$ 6.7</u>

Long-Term Liabilities

At fiscal year-end, the District had \$200.1 million in general obligation bonds, compensated absences, net pension liability, other post-employment benefits (OPEB), Public Agency Retirement Services Supplemental Retirement Plan (PARS), and lease payable – an increase of 7.18% from last fiscal year – as shown in Table A-4. (More detailed information about the District’s long-term liabilities is presented in Note 6 to the financial statements.) The increase is mainly due to compensated absences payable in the current fiscal year due to implementation of GASB No. 101.

Table A-4 Outstanding Long-Term Liabilities at Fiscal Year-End

	Governmental Activities (In Millions)		Variance Increase (Decrease)
	2024	2025	
General obligation bonds	\$ 54.6	\$ 67.1	\$ 12.5
Original issue premium	3.5	4.2	0.7
Accreted interest payable	25.0	26.0	1.0
Compensated absences	1.0	10.1	9.1
PARS	2.9	2.3	(0.6)
Net pension liability	73.4	65.0	(8.4)
OPEB	25.7	24.9	(0.8)
Lease payable	0.6	0.5	(0.1)
	<u>\$ 186.7</u>	<u>\$ 200.1</u>	<u>\$ 13.4</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is currently in a stable financial position; however, it faces fiscal challenges in the coming years. Like many school districts in Los Angeles County, the District is experiencing declining student enrollment driven by lower birth rates, high housing costs, and demographic shifts. Because state funding is largely based on average daily attendance (ADA), continued enrollment declines may result in reduced operating revenues while fixed costs, including employee compensation and benefits, continue to rise.

In addition, one-time federal COVID-19 relief funds have been fully expended, and state budget pressures have resulted in more modest cost-of-living adjustments to base funding. These factors contribute to ongoing financial pressure despite continued state investment in education.

To address these challenges, the District's fiscal team closely monitors enrollment trends, state economic conditions, and legislative budget developments. The District will continue to evaluate expenditures, align staffing and programs with enrollment levels, and pursue cost containment and revenue opportunities to maintain long-term fiscal stability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (626) 307-3400.

GARVEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2025

Assets	<u>Governmental Activities</u>
Cash in County Treasury	\$ 64,549,047
Revolving cash fund	30,000
Accounts receivable	7,796,455
Inventories, at cost	11,216
Prepaid items	3,750
Non-depreciable:	
Land	1,711,462
Construction in progress	5,324,246
Depreciable and amortizable:	
Improvement of sites	14,255,491
Buildings	119,237,831
Equipment	7,828,036
Less accumulated depreciation	(53,751,655)
Lease assets	692,496
Less accumulated amortization	<u>(230,832)</u>
Total assets	<u>167,457,543</u>
Deferred Outflows of Resources	
Pension-related	23,335,563
OPEB-related	3,403,041
Deferred loss on debt refunding	432
Total deferred outflows of resources	<u>26,739,036</u>
Liabilities	
Accounts payable	14,475,241
Interest payable	935,436
Claims payable	394,910
Unearned revenue	587,901
Long-term liabilities:	
Long-term liabilities other than OPEB and pensions due within one year	9,149,690
Long-term liabilities other than OPEB and pensions due more than a year	101,090,438
Net OPEB liability	24,868,831
Net pension liability	<u>64,978,190</u>
Total liabilities	<u>216,480,637</u>
Deferred Inflows of Resources	
Pension-related	9,777,666
OPEB-related	<u>7,174,573</u>
Total deferred inflows of resources	<u>16,952,239</u>
Net Position	
Net investment in capital assets	32,447,418
Restricted for:	
Education programs	20,357,783
Child nutrition program	4,662,006
Child development	788,624
Capital projects	2,422,749
Student activity	59,466
Unrestricted	<u>(99,974,343)</u>
Total net position (deficit)	<u>\$ (39,236,297)</u>

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 55,336,616	\$ 886,152	\$ 24,776,298	\$ (29,674,166)
Instruction-related services:				
Instructional supervision and administration	9,739,938	355,308	7,671,032	(1,713,598)
Instructional library, media, and technology	539,655		10,846	(528,809)
School site administration	3,740,832			(3,740,832)
Pupil services:				
Home-to-school transportation	1,522,678			(1,522,678)
Food services	4,842,577	11,391	5,532,516	701,330
All other pupil services	9,428,999	240,512	3,767,587	(5,420,900)
General administration:				
Centralized data processing	1,132,707			(1,132,707)
All other general administration	17,115,134	4,693	567,414	(16,543,027)
Plant services	10,211,211	1,558,321	912,300	(7,740,590)
Interest on long-term debt	3,386,888			(3,386,888)
Other outgo	1,164,283		349,344	(814,939)
Amortization (unallocated)	538,665			(538,665)
Depreciation (unallocated)	4,276,360			(4,276,360)
Total Governmental Activities	<u>\$ 122,976,543</u>	<u>\$ 3,056,377</u>	<u>\$ 43,587,337</u>	<u>(76,332,829)</u>

General revenues:

Taxes and subventions:	
Taxes levied for general purposes	8,951,118
Taxes levied for debt service	5,331,685
Taxes levied for other specific purposes	187,392
Federal and state aid not restricted to specific purposes	51,495,830
Interest and investment earnings	2,211,787
Miscellaneous	517,953
Total general revenues	<u>68,695,765</u>
Change in net position	<u>(7,637,064)</u>
Net position (deficit) beginning of fiscal year	(31,906,855)
Restatements	307,622
Net position (deficit) beginning of fiscal year, restated	<u>(31,599,233)</u>
Net position (deficit) end of fiscal year	<u>\$ (39,236,297)</u>

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Bond Interest and Redemption Fund	Building Fund	Child Development Fund
Assets				
Cash in County Treasury	\$ 39,454,769	\$ 6,208,052	\$ 10,186,127	\$ (151,097)
Revolving cash fund	30,000			
Accounts receivable	4,376,984		103,074	2,395,604
Inventory, at cost	2,951			
Prepaid items	3,750			
	<u>43,868,454</u>	<u>6,208,052</u>	<u>10,289,201</u>	<u>2,244,507</u>
Total assets	<u>\$ 43,868,454</u>	<u>\$ 6,208,052</u>	<u>\$ 10,289,201</u>	<u>\$ 2,244,507</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 12,052,248	\$ -	\$ 1,063,654	\$ 1,205,618
Unearned revenue	337,636			250,265
	<u>12,389,884</u>		<u>1,063,654</u>	<u>1,455,883</u>
Total liabilities	<u>12,389,884</u>		<u>1,063,654</u>	<u>1,455,883</u>
Fund balances:				
Nonspendable				
Revolving cash	30,000			
Stores inventories	2,951			
Prepaid items	3,750			
Restricted				
Lottery: instructional material	159,671			
Mental health-related services	404,514			
Special education early intervention preschool	928,923			
Art, music, and instructional materials discretionary block grant	1,037,259			
Arts and music in schools (AMS) - funding guarantee and accounting Act (Prop 28)	806,643			
Learning recovery emergency block grant	5,625,893			
Educator effectiveness	431,627			
Expanded learning opportunities program	6,150,705			
CA community school partnership act - implementation grant	1,085,741			
Classified school employee professional development block grant	33,759			
Student activity	59,466			
Other restricted state	82,147			
Other restricted local	3,610,901			
Child development				788,624
Child nutrition program	96,946			
Construction			9,225,547	
Debt service		6,208,052		
Committed				
Other commitments	8,012,477			
Unassigned	2,915,197			
	<u>31,478,570</u>	<u>6,208,052</u>	<u>9,225,547</u>	<u>788,624</u>
Total fund balances	<u>31,478,570</u>	<u>6,208,052</u>	<u>9,225,547</u>	<u>788,624</u>
Total liabilities and fund balances	<u>\$ 43,868,454</u>	<u>\$ 6,208,052</u>	<u>\$ 10,289,201</u>	<u>\$ 2,244,507</u>

See notes to basic financial statements

Other Governmental Funds	Total
\$ 6,235,004	\$ 61,932,855
896,373	30,000
8,265	7,772,035
	11,216
	3,750
<u>\$ 7,139,642</u>	<u>\$ 69,749,856</u>
\$ 151,833	\$ 14,473,353
	587,901
<u>151,833</u>	<u>15,061,254</u>
8,265	30,000
	11,216
	3,750
	159,671
	404,514
	928,923
	1,037,259
	806,643
	5,625,893
	431,627
	6,150,705
	1,085,741
	33,759
	59,466
	82,147
	3,610,901
	788,624
4,556,795	4,653,741
2,422,749	11,648,296
	6,208,052
	8,012,477
	2,915,197
<u>6,987,809</u>	<u>54,688,602</u>
<u>\$ 7,139,642</u>	<u>\$ 69,749,856</u>

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GARVEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2025

Total fund balances - governmental funds \$ 54,688,602

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation, leased assets and accumulated amortization, and subscription assets and accumulated amortization.

Capital assets at historical cost	\$	148,357,066	
Accumulated depreciation		(53,751,655)	
Leased assets at historical cost		692,496	
Accumulated amortization		<u>(230,832)</u>	
Net			95,067,075

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 net position, it is recognized in the period that it is incurred. (935,436)

Deferred losses on debt refunding, net of accumulated amortization have not been reported in the governmental funds. These are capitalized and amortized over the life of the new debt or old debt whichever is shorter in the statement of net position. 432

In governmental funds, bond premiums are recognized as other financing sources in the period they are incurred. In the government-wide statements, bond premiums are amortized over the life of the debt. (4,253,535)

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:

Accreted bond interest payable	\$	(25,921,276)	
Compensated absences payable		(10,121,321)	
General obligation bonds payable		(67,119,011)	
PARS		(2,351,895)	
OPEB		(24,868,831)	
Net pension liability		(64,978,190)	
Lease payable		<u>(473,090)</u>	
Total			(195,833,614)

In governmental funds, deferred outflows and inflows of resources relating to pensions and 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 pensions and OPEB are reported.

Deferred outflows of resources relating to pensions	\$	23,335,563	
Deferred outflows of resources relating to OPEB		3,403,041	
Deferred inflows of resources relating to pensions		(9,777,666)	
Deferred inflows of resources relating to OPEB		<u>(7,174,573)</u>	
Net			9,786,365

Internal service funds are used to charge the costs of services to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 2,243,814

Total net position (deficit), governmental activities \$ (39,236,297)

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

	General Fund	Bond Interest and Redemption Fund	Building Fund	Child Development Fund
Revenues:				
LCFF Sources:				
State apportionments	\$ 35,878,677	\$ -	\$ -	\$ -
Education Protection Account Funds	13,858,123			
Local sources	8,951,118			
Federal	4,235,061			15,483,598
Other state	17,061,343	27,817		1,146,316
Other local	7,949,789	5,504,846	295,391	3,734,907
	<u>87,934,111</u>	<u>5,532,663</u>	<u>295,391</u>	<u>20,364,821</u>
Total revenues				
Expenditures:				
Certificated salaries	31,838,283			4,004,054
Classified salaries	11,502,785		282,598	3,691,878
Employee benefits	23,330,314		157,676	4,855,961
Books and supplies	3,092,558		989,199	1,675,675
Contracted services and other				
operating expenditures	19,164,954		634,640	1,633,625
Capital outlay	491,820		7,165,430	4,405,603
Other outgo	883,745			
Debt service				
Principal	132,956	2,479,486		
Interest	16,363	3,031,062		
	<u>90,453,778</u>	<u>5,510,548</u>	<u>9,229,543</u>	<u>20,266,796</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>(2,519,667)</u>	<u>22,115</u>	<u>(8,934,152)</u>	<u>98,025</u>
Other Financing Sources (Uses):				
Proceeds from sale of bonds			15,000,000	
Bond premiums		1,030,064		
		<u>1,030,064</u>	<u>15,000,000</u>	
Total other financing sources (uses)				
Net change in fund balances	<u>(2,519,667)</u>	<u>1,052,179</u>	<u>6,065,848</u>	<u>98,025</u>
Fund balances, July 1, 2024	34,384,241	5,155,873	3,159,699	690,599
Restatements	(386,004)			
Fund balances, July 1, 2024, restated	<u>33,998,237</u>	<u>5,155,873</u>	<u>3,159,699</u>	<u>690,599</u>
Fund balances, June 30, 2025	<u>\$ 31,478,570</u>	<u>\$ 6,208,052</u>	<u>\$ 9,225,547</u>	<u>\$ 788,624</u>

See notes to basic financial statements

Other Governmental Funds	Total
\$ -	\$ 35,878,677
	13,858,123
	8,951,118
3,841,917	23,560,576
1,674,636	19,910,112
459,260	17,944,193
<u>5,975,813</u>	<u>120,102,799</u>
	35,842,337
1,810,875	17,288,136
940,592	29,284,543
1,851,963	7,609,395
73,556	21,506,775
	12,062,853
164,655	1,048,400
	2,612,442
	<u>3,047,425</u>
<u>4,841,641</u>	<u>130,302,306</u>
<u>1,134,172</u>	<u>(10,199,507)</u>
	15,000,000
	<u>1,030,064</u>
	<u>16,030,064</u>
<u>1,134,172</u>	<u>5,830,557</u>
5,853,637	49,244,049
	<u>(386,004)</u>
<u>5,853,637</u>	<u>48,858,045</u>
<u>\$ 6,987,809</u>	<u>\$ 54,688,602</u>

GARVEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Total net change in fund balances - governmental funds	\$	5,830,557
<p>In governmental funds, the costs of capital assets and lease assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets and lease assets are allocated over their estimated useful lives and their lease terms as depreciation expense and amortization expense respectively. The difference between capital outlay expenditures and depreciation expense and amortization expense for the period is:</p>		
Capital asset additions	\$	12,055,028
Amortization expense		(538,665)
Depreciation expense		<u>(4,276,360)</u>
		7,240,003
<p>If a planned capital project is canceled and will not be completed, cost previously capitalized as Construction in Progress must be written off to expense. Costs written off for canceled projects were:</p>		
		(604,266)
<p>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.</p>		
		2,479,486
<p>The issuance of leases payable provides current financial resources to governmental funds, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable, subscription payable, and related items.</p>		
Principal payments on lease payable		132,956
<p>In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:</p>		
		(1,182,569)
<p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the difference between compensated absences paid and compensated absences earned was:</p>		
		(8,154,664)
<p>In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium plus a deferred loss from debt refunding, is amortized as interest over the life of the debt. Amortization of the debt issue premium and deferred loss from debt refunding, for the period is:</p>		
Debt issue premium	\$	243,962
Deferred loss from debt refunding		<u>(5,195)</u>
		238,767
<p>In governmental funds, general obligation bond proceeds are reported as other financing sources. In the government-wide statements, proceeds from general obligation bonds are reported as additions to long-term debt, including issue premium.</p>		
		(16,030,064)
<p>In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:</p>		
		2,187,125
<p>In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This fiscal year, the retirement incentives expenses incurred was:</p>		
		587,974
<p>In the statement of activities, early retirement incentives and other postemployment benefit are measured by the amounts earned during the fiscal year. In governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid).</p>		
Other postemployment benefits		(579,286)
<p>Internal service funds are used by the District to charge the costs of service to individual funds. The net income of the internal service fund is reported with governmental activities.</p>		
		<u>216,917</u>
Change in net position of governmental activities	<u>\$</u>	<u>(7,637,064)</u>

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2025

	Governmental Activities Internal Service Fund <hr/> Self-Insurance Fund <hr/>
Assets	
Cash in County Treasury	\$ 2,616,192
Accounts receivable:	
Other	<hr/> 24,420
Total assets	<hr/> 2,640,612
Liabilities	
Accounts payable	1,888
Claims payable	<hr/> 394,910
Total liabilities	<hr/> 396,798
Net position	
Unrestricted	<hr/> 2,243,814
Total net position	<hr/> <hr/> \$ 2,243,814

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2025

	Governmental Activities Internal Service Fund Self-Insurance Fund
Operating Expenses:	
Contracted services and other operating expenses	\$ 179,166
Total expenses	<u>179,166</u>
Operating income (loss)	<u>(179,166)</u>
Non-Operating Revenues (Expenses):	
Investment income	<u>396,083</u>
Total non-operating revenues	<u>396,083</u>
Change in net position	<u>216,917</u>
Net position, July 1, 2024	1,333,271
Restatements	<u>693,626</u>
Net position, July 1, 2024, restated	<u>2,026,897</u>
Net position, June 30, 2025	<u><u>\$ 2,243,814</u></u>

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2025

	Governmental Activities Internal Service Fund <u>Self-Insurance Fund</u>
Cash flows from operating activities:	
Cash paid for contracted services and other operating expenses	\$ <u>(434,752)</u>
Net cash used by operating activities	<u>(434,752)</u>
Cash flows from investing activities:	
Investment income	<u>402,184</u>
Net decrease in cash and cash equivalents	(32,568)
Cash and cash equivalents at July 1, 2024	<u>2,648,760</u>
Cash and cash equivalents at June 30, 2025	<u>\$ 2,616,192</u>
Reconciliation of Operating Income(loss) to Net Cash Used by Operating Activities	
Operating income (loss)	\$ (179,166)
Increase (decrease) in operating liabilities:	
Accounts payable	(1,360)
Claims payable	<u>(254,226)</u>
Net cash used by operating activities	<u>\$ (434,752)</u>

See notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The following are those aspects of the relationship between the District and the component unit which satisfy the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90.

C. Basis of Presentation

Government-wide Financial Statements:

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

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

Fund Financial Statements:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the District meets the cash flow needs of proprietary activities.

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 revenue of the internal service fund is charges to other funds for self-insurance costs. Operating expenses for the internal service fund include the costs of insurance premiums and claims related to self-insurance.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within one year after fiscal year end.

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

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Garvey School District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. 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 as fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Other Postemployment Benefits (OPEB):

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocation of costs, 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. Fund Accounting

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

Major Governmental Funds:

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

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

The Building Fund is used to account for the acquisition and modernization of major governmental capital facilities and buildings from the sale of general obligation bonds.

The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Non-major Governmental Funds:

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

1. The Cafeteria Fund is used to account for revenues received and expenditures incurred to operate the District's food service operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Capital Projects Funds are used to account for and report financial resources that are restricted or committed or assigned to expenditure for capital outlays, including the acquisition and/or construction of capital facilities and other capital assets. The District maintains two nonmajor capital project funds:

1. The County School Facilities Fund is used to account separately for apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.
2. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Proprietary Fund:

Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund.

The Self-Insurance Fund is used to account for resources committed to pay for costs arising from health claims that are not covered, or are only partially covered, through purchased insurance.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and Child Development Fund in the financial statements.

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

G. Encumbrances

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

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

1. Deposits and Investments

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

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

3. Inventories and Prepaid Items

Inventories are recorded using the consumption method, whereby inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse and cafeteria inventory are presented at the lower of cost or market on a first-in, first-out (FIFO) basis and are expensed when used in the government-wide financial statements.

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

4. Deferred Outflows and Inflows of Resources

The District reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

Occasionally, the District refunds some of its existing debt. When this occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding. If there is an excess of the reacquisition price of refunded debt over its net carrying amount, it is treated as a deferred outflow of resources (a deferred loss on refunding). If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources (a deferred gain on refunding).

5. Amortization of Bond Premium

Bond premiums are being amortized on the straight line method over the life of the bonds on the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

6. Deferred Loss on Debt Refunding

The District has incurred a loss on the refunding of its debt. The deferred loss is being amortized using the straight-line method over the lesser of the remaining period of the old debt or the remaining period of the new debt on the government-wide statements.

7. Capital Assets

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

8. Right to Use Assets

The District has recorded right to use lease assets as a result of implementing Governmental Accounting Standards Board Statement (GASB) Number 87 “Leases” and GASB Statement Number 96 “Subscription-Based Information Technology Arrangements” (SBITAs). The right to use assets are initially measured at an amount equal to the initial measurement of the related lease or subscription liability plus any lease or subscription payments made prior to the lease or subscription term, less lease or subscription incentives, and plus ancillary charges necessary to place the lease or subscription asset into service. The right to use assets are amortized on a straight-line basis over the life of the related lease or subscription asset.

9. Unearned Revenue

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

10. Compensated Absences

Employees of the District earn vacation, sick leave, and other leave benefits in accordance with Board policy, bargaining unit agreements, and State law. The District recognizes a liability for compensated absences in accordance with GASB Statement No. 101, Compensated Absences, which was implemented in the current fiscal year.

Under GASB 101, a compensated absences liability is recognized when (1) the leave accumulates, (2) the leave is attributable to services already rendered, and (3) it is more likely than not that the leave will be used for time off or otherwise paid or settled.

The entire compensated absences liability is reported on the government-wide Statement of Net Position. For governmental funds, only the portion of the liability expected to be liquidated with expendable financial resources (typically when qualifying events such as retirements or resignations occur before fiscal year-end but are unpaid at year-end) is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

10. Compensated Absences (Continued)

Vacation Leave - Vacation benefits are earned based on years of service and may be carried forward subject to District policy limits. Vacation is payable upon separation of employment. The District recognizes a liability for all vacation leave earned but not yet taken.

Sick Leave - Employees accrue sick leave at the rate of one day per month worked and may accumulate it without limit. Sick leave is available for health-related absences. Historically, the District did not recognize a liability for accumulated sick leave because employees were not paid for unused sick leave upon separation.

Upon implementation of GASB 101, the District evaluated historical usage patterns and determined that employees routinely use accumulated sick leave for compensated time off, and that such usage is more likely than not to occur. Based on this evaluation, the District determined that accumulated sick leave meets the recognition criteria under GASB 101.

Although employees are not paid for unused sick leave upon termination, accumulated sick leave is used to provide paid time off in future periods, resulting in future salary-related payments. Because these future payments represent a consumption of financial resources attributable to services already rendered, the District recognized a liability for sick-leave compensated absences beginning in fiscal year 2024–25. The District determined that it was not practicable to restate beginning net position; therefore, the effect of implementing GASB Statement No. 101, Compensated Absences, was recognized in the current fiscal year.

11. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable is reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

12. Fund Balance

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

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

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

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the governing board or director may assign amounts for specific purposes.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

Unassigned – all other spendable amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

12. Fund Balance (Continued)

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

13. Net Position

The government-wide statement and propriety fund of net position includes three equity categories entitled net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets category presents the District's equity interest in capital assets less outstanding principal of related debt. The restricted net position category is designed to reflect net position that are subject to restrictions beyond the District's control (externally imposed or imposed by law). The unrestricted net position category represents net position not restricted for any projects or other purposes.

I. Property Tax

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

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

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

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those reported.

K. Statement of Cash Flows

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

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements.

Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104	"Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 105	"Subsequent Events"	The provisions of this statement are effective for fiscal years beginning after June 15, 2026.

NOTE 2 - CASH AND INVESTMENTS

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

Cash in revolving fund	\$ 30,000
Cash and investments with County Treasurer	<u>64,549,047</u>
Total cash and investments	<u><u>\$ 64,579,047</u></u>

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

Cash in County Treasury, statement of net position	\$ 64,549,047
Cash in revolving fund, statement of net position	<u>30,000</u>
Total cash and investments	<u><u>\$ 64,579,047</u></u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the Los Angeles County Investment Pool, however, this external pool is not measured under Level 1, 2 or 3.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$64,549,047 as of June 30, 2025). The fair value of this pool as of June 30, 2025 as provided by the plan sponsor, was \$64,549,047. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash in Revolving Fund

Cash in the revolving fund (\$30,000) as of June 30, 2025 is insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the District’s Investment Policy

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

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Los Angeles County Investment Pool	\$ 64,549,047	N/A	\$ -	\$ -	\$ -	\$ -	\$ 64,549,047
Total	\$ 64,549,047		\$ -	\$ -	\$ -	\$ -	\$ 64,549,047

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District’s investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Los Angeles County Investment Pool	\$ 64,549,047	\$ 64,549,047	\$ -	\$ -	\$ -
Total	\$ 64,549,047	\$ 64,549,047	\$ -	\$ -	\$ -

Concentration of Credit Risk

The District’s investment policy only authorizes investment in the local government investment pool administered by the County of Los Angeles. The District’s investment policy does not contain any specific provisions intended to limit the District’s exposure to interest rate risk, credit risk, and concentration of credit risk. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District investments.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

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

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Non-major Governmental Fund	
Cafeteria Special Revenue Fund	\$ 123,847

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Child Development Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund - Self Insurance Fund</u>	<u>Total</u>
Federal Government:						
Categorical Aid Programs	\$ 1,334,133	\$ -	\$ -	\$ 840,521	\$ -	\$ 2,174,654
State Government:						
Categorical Aid Programs	2,045,251					2,045,251
Lottery	304,128					304,128
Local Sources:						
Interest	284,171	103,074	11,704	55,852	24,420	479,221
Miscellaneous	409,301		2,383,900			2,793,201
Total Accounts Receivable	\$ 4,376,984	\$ 103,074	\$ 2,395,604	\$ 896,373	\$ 24,420	\$ 7,796,455

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	\$ 1,711,462	\$ -	\$ -	\$ -	\$ 1,711,462
Construction in progress	9,024,923	11,625,371	(604,266)	(14,721,782)	5,324,246
Total capital assets, not being depreciated	<u>\$ 10,736,385</u>	<u>\$ 11,625,371</u>	<u>\$ (604,266)</u>	<u>\$ (14,721,782)</u>	<u>\$ 7,035,708</u>
Capital assets being depreciated/amortized:					
Improvement of sites	\$ 11,181,156	\$ -	\$ -	\$ 3,074,335	\$ 14,255,491
Buildings	108,158,507			11,079,324	119,237,831
Equipment	6,830,256	429,657		568,123	7,828,036
Right to use assets - equipment	692,496				692,496
Subscription-based information technology arrangements	1,224,500		(1,224,500)		
Total capital assets being depreciated/amortized	<u>128,086,915</u>	<u>429,657</u>	<u>(1,224,500)</u>	<u>14,721,782</u>	<u>142,013,854</u>
Accumulated depreciation/amortization for:					
Improvement of sites	(3,944,904)	(564,936)			(4,509,840)
Buildings	(41,750,547)	(3,127,894)			(44,878,441)
Equipment	(3,779,844)	(583,530)			(4,363,374)
Right to use assets - equipment	(92,333)	(138,499)			(230,832)
Subscription-based information technology arrangements	(824,334)	(400,166)	1,224,500		
Total accumulated depreciation/amortization	<u>(50,391,962)</u>	<u>(4,815,025)</u>	<u>1,224,500</u>		<u>(53,982,487)</u>
Total capital assets, being depreciated/amortized, net	<u>\$ 77,694,953</u>	<u>\$ (4,385,368)</u>	<u>\$ -</u>	<u>\$ 14,721,782</u>	<u>\$ 88,031,367</u>
Governmental activity capital assets, net	<u>\$ 88,431,338</u>	<u>\$ 7,240,003</u>	<u>\$ (604,266)</u>	<u>\$ -</u>	<u>\$ 95,067,075</u>

Depreciation/amortization expense was charged to governmental activities as follows:

Amortization unallocated	\$ 538,665
Depreciation unallocated	<u>4,276,360</u>
Total depreciation/amortization expense	<u>\$ 4,815,025</u>

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025	Amounts Due Within One Year
General obligation bonds/ notes:					
General obligation bonds	\$ 54,598,497	\$ 15,000,000	\$ (2,479,486)	\$ 67,119,011	\$ 3,074,231
Original issue premium	3,467,433	1,030,064	(243,962)	4,253,535	196,128
Accreted interest payable	25,001,680	2,120,110	(1,200,514)	25,921,276	1,282,758
Compensated absences	1,966,657	8,154,664		10,121,321	3,871,599
PARS	2,939,869		(587,974)	2,351,895	587,974
Lease payable	606,046		(132,956)	473,090	137,000
Totals	<u>\$ 88,580,182</u>	<u>\$ 26,304,838</u>	<u>\$ (4,644,892)</u>	<u>\$ 110,240,128</u>	<u>\$ 9,149,690</u>

A. General Obligation Bonds

Election of 2000

On November 7, 2000, an election was held, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of \$15 million of general obligation bonds. The county has the power and is obligated to annually levy ad valorem taxes upon all property subject to taxation by the District, for the payment of principal and interest on the bonds.

On March 12, 2004, the District issued Series B of the election of 2000 General Obligation Bonds in the amount of \$6,999,519. The bonds were issued to fund the repair of school facilities. The bonds consist of Current Interest Serial Bonds of \$2,655,000 with interest rates ranging from 2.5% to 3.875% and fully maturing on August 1, 2020, and Capital Appreciation Bonds of \$4,344,519 with yields to maturity ranging between 4.73% to 5.11% and fully maturing on August 1, 2033. On December 17, 2013, the District refunded the Current Interest Series Bonds portion and it has been called on December 18, 2013. For financial reporting purposes, the debt has been considered defeased and therefore removed from the District's financial statements. At June 30, 2025, the Capital Appreciation Bonds principal balance outstanding was \$3,713,020, and \$30,973 of unamortized original premium. The accreted interest on capital appreciation bonds balance was \$7,065,119.

Election of 2004

On November 2, 2004, an election was held, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$30 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. Bond proceeds will be used for the purpose of financing the addition and modernization of school facilities.

On June 10, 2005, the District issued Series 2005, in the amount of \$9,998,736. The issue consisted of: a) Current Interest Bonds of \$9,450,000 with stated interest rates ranging from 3.0% to 4.25% and fully maturing on August 1, 2025, and b) Capital Appreciation Bonds of \$548,736 with yields to maturity ranging from 4.84% to 4.94% and fully maturing on August 1, 2029. At June 30, 2025, the outstanding balance on the bonds was \$548,736 and \$2,733 of unamortized bond issue premium. The accreted interest on the capital appreciation bonds balance was \$1,797,268.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 - LONG-TERM LIABILITIES (Continued)

A. General Obligation Bonds (Continued)

On December 21, 2006, the District issued Series 2006, in the amount of \$10,999,898. The issue consisted of: a) Current Interest Bonds of \$2,785,000 with stated interest rates ranging from 4.00% to 4.50% and fully maturing on August 1, 2020, and b) Capital Appreciation Bonds of \$8,214,898 with yields to maturity ranging from 3.65% to 6.22% and fully maturing on August 1, 2031. At June 30, 2025, the outstanding balance on the bonds was \$4,439,269 and \$84,560 of unamortized bond issue premium. The accreted interest on the capital appreciation bonds balance was \$6,082,244.

On June 4, 2008, the District issued Series 2008, in the amount of \$8,997,964. The issue consisted of: a) Current Interest Bonds of \$680,000 with stated interest rates ranging from 3.00% to 4.00% and fully maturing on August 1, 2018, and b) Capital Appreciation Bonds of \$8,317,964 with yields to maturity ranging from 4.25% to 5.38% and fully maturing on August 1, 2042. At June 30, 2025, the outstanding balance on the bonds was \$7,747,985 and \$189,158 of unamortized bond issue premium. The accreted interest on the capital appreciation bonds balance was \$10,976,645.

On July 7, 2011, the District issued the 2011 General Obligation Refunding Bonds to refund a portion of the District's Election of 2000 General Obligation Bonds, Series A. The issue consisted of current interest bonds totaling \$5,200,000, with stated interest rates ranging from 2.00% to 4.00%, and maturing on August 1, 2024. During fiscal year 2024–25, the District paid off the remaining outstanding balance of the bonds in the amount of \$675,000.

On December 9, 2014, the District issued 2014 General Obligation Refunding Bonds in the amount of \$5,500,000 with stated interest rates ranging from 2.00% to 5.00% and fully maturing on August 1, 2025 to refund the Current Interest Bonds portion of the District's Election of 2004 General Obligation Bonds, Series 2005. At June 30, 2025, the outstanding balance on the bonds was \$120,000, and \$5,006 of unamortized bond issue premium.

On May 4, 2017, the District issued 2016 General Obligation Bonds in the amount of \$10,000,000 with stated interest rates ranging from 3.00% to 5.00% and fully maturing on August 1, 2046 to finance acquisition, construction, modernization, and equipment for District facilities. At June 30, 2025, the outstanding balance on the bonds was \$8,700,000 and \$121,227 of unamortized bond issue premium.

On October 4, 2018, the District issued 2016 General Obligation Bonds Series B in the amount of \$10,000,000 with stated interest rates ranging from 4.00% to 5.00% and fully maturing on August 1, 2048 to finance acquisition, construction, modernization, and equipment for District facilities. At June 30, 2025, the outstanding balance on the bonds was \$8,515,000 and \$624,314 of unamortized bond issue premium.

On August 13, 2020, the District issued 2016 General Obligation Bonds Series C in the amount of \$10,000,000 with stated interest rates 4.00% and fully maturing on August 1, 2051 to finance acquisition, construction, modernization, and equipment for District facilities. At June 30, 2025, the outstanding balance on the bonds was \$8,535,000 and \$1,123,460 of unamortized bond issue premium.

On March 29, 2023, the District issued 2016 General Obligation Bonds Series D in the amount of \$10,000,000 with stated interest rates 5.00% and fully maturing on August 1, 2051 to finance acquisition, construction, modernization, and equipment for District facilities. At June 30, 2025, the outstanding balance on the bonds was \$9,800,000 and \$1,067,935 of unamortized bond issue premium.

Election of 2024

On March 5, 2024, an election was held, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of \$60 million of general obligation bonds. The county has the power and is obligated to annually levy ad valorem taxes upon all property subject to taxation by the District, for the payment of principal and interest on the bonds.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 - LONG-TERM LIABILITIES (Continued)

A. General Obligation Bonds (Continued)

On September 29, 2024, the District issued 2024 General Obligation Bonds Series A in the amount of \$15,000,000 with stated interest rates 5.00% and fully maturing on August 1, 2044 to finance acquisition, construction, modernization, and equipment for District facilities. At June 30, 2025, the outstanding balance on the bonds was \$15,000,000 and \$1,004,169 of unamortized bond issue premium.

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

Fiscal Year Year Ending,	Principal	Interest	Total
2026	\$ 3,074,231	\$ 3,531,363	\$ 6,605,594
2027	2,945,813	4,497,606	7,443,419
2028	2,690,203	4,608,866	7,299,069
2029	1,836,535	4,740,284	6,576,819
2030	2,076,428	5,466,191	7,542,619
2031-2035	8,926,061	24,499,557	33,425,618
2036-2040	10,014,887	19,750,210	29,765,097
2041-2045	12,984,852	13,867,333	26,852,185
2046-2050	14,715,000	3,118,025	17,833,025
2051-2055	7,855,001	590,100	8,445,101
Total	<u>\$ 67,119,011</u>	<u>\$ 84,669,535</u>	<u>\$ 151,788,546</u>

B. Other Postemployment Benefits (OPEB)

At June 30, 2025, net OPEB liability and related deferred outflows of resources are as follows:

	District OPEB Plan	MPP Program OPEB Plan	Total
Deferred outflows of resources:			
Changes in assumptions	\$ 1,205,918	\$ -	\$ 1,205,918
Difference between expected and actual experience	2,197,123		2,197,123
Total deferred outflows of resources	<u>\$ 3,403,041</u>	<u>\$ -</u>	<u>\$ 3,403,041</u>
Deferred inflows of resources:			
Changes in assumptions	\$ 4,656,922	\$ -	\$ 4,656,922
Difference between expected and actual experience	2,517,651		2,517,651
Total deferred inflows of resources	<u>\$ 7,174,573</u>	<u>\$ -</u>	<u>\$ 7,174,573</u>
Net OPEB liabilities:	<u>\$ 24,666,766</u>	<u>\$ 202,065</u>	<u>\$ 24,868,831</u>
Total net OPEB liabilities	<u>\$ 24,666,766</u>	<u>\$ 202,065</u>	<u>\$ 24,868,831</u>

NOTE 6 - LONG-TERM LIABILITIES (Continued)

B. Other Postemployment Benefits (OPEB)

Plan Description

The Post-employment benefits plan (the “Plan”) is a single-employer defined benefit healthcare plan administrated by the Garvey School District. Retirees are eligible for medical benefits if they retire at Age 50+, have 10+ years of District service, and were enrolled in CalSTRS plan at retirement. The District pays for 100% of premiums up to a maximum of \$1,150/month for 2019 retirees, reduced to \$400 at age 65. A retiree can also elect a cash option equal to 50% of the maximum at the time of retirement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Eligibility

The Plan provides health benefits to eligible retirees and their dependents and the detailed provisions of the plan are as follows:

Certificated employees

-Retirees age 55 to 65 with at least 15 years of service may choose among health plans offered by the District but shall pay the difference between the least expensive plan and the plan selected. Retirees have the option for dependent coverage solely at the retiree’s expense.

-Retirees age 55 to 65 with at least 15 years of service receive dental, vision, and life insurance at no cost to the retiree. Retirees have the option for dental and vision coverage for dependents solely at the retiree’s expense.

Classified employees

-Retirees age 55 to 65 with at least 20 years of service may choose among health plans offered by the District but shall pay the difference between the least expensive plan and the plan selected. Retirees have the option for dependent coverage solely at the retiree’s expense.

-Retirees age 55 to 65 with at least 20 years of service receive dental, vision, and life insurance at no cost to the retiree. (This benefit is currently limited to 18 retirees at a time.) If more than 18 retirees seek dental, vision, and life insurance coverage, they may be purchased solely at the retiree’s expense.

-Retirees age 55 to 65 with at least 10 years of service receive dental, vision, and vision coverage for the retiree and dependents solely at the retiree’s expense.

All employees

-After the age of 65, the District will pay an amount toward the cost of a Medicare supplement plan offered by the District’s provider for the retiree only. Retirees may purchase coverage for dependents solely at the retiree’s expense.

-Benefits are pro-rated based on a percentage of full-time equivalency.

Membership in the plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

Active plan members	627
Inactive employees or beneficiaries currently receiving benefit payments	212
Total	839

Contributions

The contribution requirement of plan members and the District are established under a funding policy approved by the District’s Board, and may be amended by the District from time to time. The District’s funding policy is to contribute an amount sufficient to pay the current fiscal year’s retiree costs. For fiscal year 2025, the District contributed \$651,199 to the plan, all of which was used for current premiums and no prefunded benefits had been made.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 - LONG-TERM LIABILITIES (Continued)

B. Other Postemployment Benefits (OPEB) (Continued)

Actuarial assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Funding method	Entry Age Normal Cost, level percent of pay
Discount Rate	4.71% as of June 30, 2025
Inflation	2.30%
Aggregate payroll Increases	2.75%. Additional merit-based increases based on CalPERS' merit salary increase tables.
Mortality rate	Based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS' and CalPERS' valuations. CalSTRS' mortality rates are from the 2020 experience study and the CalPERS' mortality rates are from the 2020 experience study.
Healthcare Tread Rate	An annual healthcare cost trend rate of 4.0% in the first year, trending down to 4% over 50 years.

Discount Rate

The discount rate used to measure the total OPEB liability is 4.71%. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2024 (Measurement Date)	\$ 25,518,433	\$ -	\$ 25,518,433
Changes Recognized for the Measurement Period:			
Service Cost	1,018,729	-	1,018,729
Interest on the total OPEB liability	1,040,600	-	1,040,600
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(335,325)	-	(335,325)
Changes of assumptions	(1,924,472)	-	(1,924,472)
Contributions from the employer	-	-	-
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(396,994)	-	(396,994)
Implicit subsidy credit	(254,205)	-	(254,205)
Net Changes during July 1, 2024 to June 30, 2025	(851,667)	-	(851,667)
Balance at June 30, 2025 (Measurement Date)	\$ 24,666,766	\$ -	\$ 24,666,766

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 6 - LONG-TERM LIABILITIES (Continued)

B. Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.71 percent) or 1-percentage-point higher (5.71 percent) than the current discount rate:

Plan's Net OPEB Liability (Asset)		
Current Discount Rate - 1%	Current Discount Rate	Current Discount Rate + 1%
\$ 27,316,251	\$ 24,666,766	\$ 22,357,473

Sensitivity of the Net OPEB Liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3 percent) or 1-percentage-point higher (5 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability (Asset)		
Current Trend Rate - 1%	Current Healthcare Cost Trend Rate	Rate + 1%
\$ 23,102,210	\$ 24,666,766	\$ 26,499,308

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

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$1,270,514. For June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred outflows of resources	Deferred inflows of resources
Change in assumptions	\$ 1,205,918	\$ 4,656,922
Difference between expected and actual experience	2,197,123	2,517,651
Total	\$ 3,403,041	\$ 7,174,573

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Fiscal Year Ended June 30,	Amount
2026	\$ (788,815)
2027	(788,815)
2028	(766,006)
2029	(454,884)
2030	(552,879)
Thereafter	(420,133)
Total	\$ (3,771,532)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

C. Other Postemployment Benefits Medicare Premiums Payment Program (OPEB)

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS' administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS' audited financial information are publicly available reports that can be found on the CalSTRS' website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

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

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the District reported a liability of \$202,065 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school. At June 30, 2024, the District's proportion was 0.0758%.

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$10,048.

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023 that was rolled forward to determine the June 30, 2024 total OPEB liability, based on the following actuarial methods and assumptions:

Discount Rate	3.93%
Mortality Rate	Custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries
Medicare Part A Premium Costs Trend Rate	5.00%
Medicare Part B Premium Costs Trend Rate	6.00%

NOTE 6 - LONG-TERM LIABILITIES (Continued)

C. Other Postemployment Benefits Medicare Premiums Payment Program (OPEB) (Continued)

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP- 2022) table issued by the Society of Actuaries.

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer’s 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	<u>1% Decrease 2.93%</u>	<u>Discount Rate 3.93%</u>	<u>1% Increase 4.93%</u>
District's proportionate share of the net OPEB liability	\$ 218,023	\$ 202,065	\$ 188,032

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	<u>1% Decrease (4.0% Part A and 5.5% Part B)</u>	<u>Current Healthcare Cost Trend Rates (5.0% Part A and 6.5% Part B)</u>	<u>1% Increase (6.0% Part A and 7.5% Part B)</u>
Net OPEB Liability	\$ 187,192	\$ 202,065	\$ 218,670

OPEB Plan Fiduciary Net Position

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer. For more information on the Surplus Money Investment Fund, see <https://www.treasurer.ca.gov/pmia-laif/pmia/index.asp>.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 6 - LONG-TERM LIABILITIES (Continued)

D. Lease Payable

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 agreement was executed in November 2023 to lease 33 copy machines and requires 60 monthly payments of \$12,443. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.0%, which is US treasury rate. As a result of the lease, the District has recorded a right to use leased asset with a net book value of \$461,664 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:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 137,000	\$ 12,319	\$ 149,319
2027	141,167	8,152	149,319
2028	145,460	3,858	149,318
2029	49,463	310	49,773
	\$ 473,090	\$ 24,639	\$ 497,729

E. Subscription Payable

The District has entered into agreements to various professional development comprehensive onsite training packages. The agreements qualify as other than short-term leases under GASB Statement No. 96 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. During the fiscal year 2022-23, the District prepaid the 3-year license in the amount of \$1,224,500. As of June 30, 2025, the subscription agreements had ended, and the related subscription asset was fully amortized and removed from the financial statements.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District’s assets, errors and omissions, employee injuries and natural disasters. The District participates in public entity risk pools, as described in Note 8, for claims in excess of insured amounts for workers’ compensation and property and liability losses. The District purchases commercial insurance for other types of risk. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Claims Liabilities

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

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - RISK MANAGEMENT (Continued)

Unpaid Claims Liabilities

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

	<u>Amounts</u>
Balance, June 30, 2023	\$ 1,190,824
Claims and changes in estimates	276,797
Claims payments	<u>(124,859)</u>
Balance, June 30, 2024	1,342,762
Restatements	<u>(693,626)</u>
Balance, June 30, 2024, restated	<u>649,136</u>
Claims and changes in estimates	(105,072)
Claims payments	<u>(149,154)</u>
Balance, June 30, 2025	<u>\$ 394,910</u>
Assets available to pay claims at June 30, 2025	<u>\$ 2,640,612</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Litigation

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

C. Construction Commitments

According to the District's staff and attorney, the District had contractual agreements with outside firms for capital program construction and professional services in the amount of \$6,208,052 at June 30, 2025.

NOTE 9 - PENSION PLANS

State Teachers' Retirement System (CalSTRS)

A. General Information about the Pension Plan

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

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

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

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

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

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

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

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

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.0%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	19.100%	19.100%
Required state contribution rates	10.828%	10.828%

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

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

A. General Information about the Pension Plan (Continued)

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

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

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

Contribution – employer	\$ 6,664,556
Contribution – state	\$ 2,460,428
Contribution – state on behalf payments	\$ 3,233,363

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

As of June 30, 2025, the District reported net pension liability for its proportionate share of the net pension liability in the amount of \$34,902,913 and the State's proportionate share of the net pension liability associated with the District in the amount of \$16,853,997.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.05197%, which was decreased by 0.00197% from its proportion measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$1,733,897. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,948,274	\$ 1,527,195
Changes of assumptions	152,779	2,383,440
Changes in proportions	2,705,954	1,848,149
Net difference between projected and actual earnings on pension plan investments	-	142,594.00
Differences between District contributions and proportionate share of contributions	250,475	2,447,251
District contributions subsequent to the measurement date	<u>6,770,676</u>	<u>-</u>
Total	<u>\$ 13,828,158</u>	<u>\$ 8,348,629</u>

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

\$6,770,676 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension in the following:

Fiscal Year Ended June 30,	Amount
2026	\$ (2,792,084)
2027	2,630,233
2028	(504,455)
2029	(330,280)
2030	102,922
Thereafter	(397,483)
	<u>\$ (1,291,147)</u>

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Experience Study ¹	July 1, 2007-June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return ²	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Payroll Growth	3.25%
Post-retirement Benefit Increases	2.00% simple for DB (annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

¹Both a five-year period (July 1, 2017 – June 30, 2022) and 15-year period were considered in the 2024 experience study; however, assumptions were primarily based on the results of the 15-year study. Additional information is available in the 2024 experience analysis report available at CalSTRS.com.

²Net of investment expenses but gross of administrative expenses.

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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, the consulting actuary (Milliman) reviews the return assumptions for reasonableness based on the most current capital market assumptions. Best estimates of 10-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 table on the next page:

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Rate of Return</u>	<u>Long-Term** Expected Real Rate of Return</u>
Public Equity	38%	8.00%	5.25%
Real Estate	15%	6.80%	4.05%
Private Equity	14%	9.50%	6.75%
Fixed Income	14%	5.20%	2.45%
Risk Mitigating Strategies	10%	5.00%	2.25%
Inflations Sensitive	7%	6.40%	3.65%
Cash/Liquidity	2%	2.80%	0.05%
	<u>100%</u>		

*20- to 30-year geometric average.

**Real rates of return are net of assumed 2.75% inflation.

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 CalSTRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease	6.10%
Net Pension Liability	\$ 62,080,861
Current Discount Rate	7.10%
Net Pension Liability	\$ 34,902,913
1% Increase	8.10%
Net Pension Liability	\$ 12,208,198

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

C. Payable to the Pension Plan

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

NOTE 9 - PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - The Garvey School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter, and private schools (elective) in the State of California. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate 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 P Street, Sacramento, California 95814.

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

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

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

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

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

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

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

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

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

Hire Date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly For Life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17 - 2.5%	1.0 - 2.5%
Required employee contribution rates	7.0%	8.0%
Required employer contribution rates	27.050%	27.050%

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

NOTE 9 - PENSION PLANS (Continued)

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

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

\$4,294,396 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Amount
2026	\$ 1,662,536
2027	2,563,314
2028	(72,224)
2029	(369,654)
	\$ 3,783,972

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2.00% until PPPA floor on purchasing power applies, 2.30% thereafter

¹The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2022 published by the Society of Actuaries.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 rounded down to the nearest one quarter of one percent.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 9 - PENSION PLANS (Continued)

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

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

The table below reflects the 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 rates are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1),(2)
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%
Total	100%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

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

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

1% Decrease		5.90%
Net Pension Liability	\$	44,677,077
Current Discount Rate		6.90%
Net Pension Liability	\$	30,075,277
1% Increase		7.90%
Net Pension Liability	\$	18,013,030

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

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2025

NOTE 9 - PENSION PLANS (Continued)

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

C. Payable to the Pension Plan

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

NOTE 10 – PARS

The District has offered a Public Agency Retirement Services Supplemental Retirement Plan (PARS). The PARS provides qualified employees with a monthly income supplement to their regular CalSTRS/CalPERS. This was offered to Certificated Non-Management employees, which are at least 55 years of age or greater as of the effective date of retirement or five or more years of service with the District, or at least 50 years of age or greater as of the effective date of retirement or thirty or more years of service with the District. The eligible employees must resign from the employment with the District effective after the completion of the 2024-25 school year. The future PARS payments are as follows:

Fiscal Year Ended June 30,	Amount
2026	\$ 587,974
2027	587,974
2028	587,974
2029	587,973
Total	<u>\$ 2,351,895</u>

NOTE 11 – COMPENSATED ABSENCES

The District accrues accumulated unpaid vacation, sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee as described in Note 1. The District at June 30, 2025, had an outstanding accrued balance of unpaid vacation, sick leave, and associated employee related costs of \$10,121,321 that will be liquidated from various funding sources in future years.

NOTE 12 – RESTATEMENTS

The accompanying financial statements include adjustments that resulted in the restatements of beginning net position and fund balances. The following summarizes the effect of the prior period adjustments to beginning net position as of July 1, 2024:

	Governmental Activities	General Fund	Internal Service Fund - Self Insurance Fund
Net Position/Fund Balance (Deficit) at July 1, 2024	\$ (31,906,855)	\$ 34,384,241	\$ 1,333,271
Overstatement of accounts receivable	(386,004)	(386,004)	
Overstatement of claims payable	693,626		693,626
Net Position/Fund Balance (Deficit) at July 1, 2024, as Restated	<u>\$ (31,599,233)</u>	<u>\$ 33,998,237</u>	<u>\$ 2,026,897</u>

REQUIRED SUPPLEMENTARY INFORMATION SECTION

GARVEY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources				
State apportionments	\$ 36,948,231	\$ 42,684,094	\$ 35,878,677	\$ (6,805,417)
Education Protection Account Funds	13,586,793	7,863,067	13,858,123	5,995,056
Local sources	7,545,222	7,545,222	8,951,118	1,405,896
Federal	3,876,381	4,366,925	4,235,061	(131,864)
Other state	15,237,704	16,973,664	17,061,343	87,679
Other local	6,384,223	8,119,048	7,949,789	(169,259)
Total revenues	83,578,554	87,552,020	87,934,111	382,091
Expenditures:				
Certificated salaries	32,663,956	31,853,535	31,838,283	15,252
Classified salaries	11,860,770	11,585,384	11,502,785	82,599
Employee benefits	23,738,699	23,630,294	23,330,314	299,980
Books and supplies	1,956,976	3,092,558	3,092,558	
Contracted services and other operating expenditures	17,663,843	20,038,386	19,164,954	873,432
Capital outlay	446,567	569,145	491,820	77,325
Other outgo	1,781,359	1,743,329	883,745	859,584
Debt service:				
Principal	132,956	132,956	132,956	
Interest	16,363	16,363	16,363	
Total expenditures	90,261,489	92,661,950	90,453,778	2,208,172
Excess of revenues over (under) expenditures	(6,682,935)	(5,109,930)	(2,519,667)	2,590,263
Fund balance, July 1, 2024	34,384,241	34,384,241	34,384,241	
Restatements			(386,004)	(386,004)
Fund balance, July 1, 2024, restated	34,384,241	34,384,241	33,998,237	(386,004)
Fund balance, June 30, 2025	\$ 27,701,306	\$ 29,274,311	\$ 31,478,570	\$ 2,204,259

GARVEY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal	\$ 11,023,381	\$ 17,590,544	\$ 15,483,598	\$ (2,106,946)
Other state	668,410	668,410	1,146,316	477,906
Other local	3,510,000	4,518,213	3,734,907	(783,306)
Total revenues	15,201,791	22,777,167	20,364,821	(2,412,346)
Expenditures:				
Certificated salaries	3,604,821	4,004,054	4,004,054	
Classified salaries	3,534,251	3,754,062	3,691,878	62,184
Employee benefits	4,132,724	5,058,597	4,855,961	202,636
Books and supplies	1,501,395	1,675,675	1,675,675	
Contracted services and other operating expenditures	2,283,319	2,516,059	1,633,625	882,434
Capital outlay	145,281	5,768,720	4,405,603	1,363,117
Total expenditures	15,201,791	22,777,167	20,266,796	2,510,371
Excess of revenues over (under) expenditures			98,025	98,025
Fund balance, July 1, 2024	690,599	690,599	690,599	
Fund balance, June 30, 2025	\$ 690,599	\$ 690,599	\$ 788,624	\$ 98,025

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

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

Fiscal Year	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.06800%	\$ 20,739,942	\$ 7,749,562	267.63%	79.43%
2017	0.06780%	13,389,074	8,125,205	164.78%	73.90%
2018	0.07425%	17,724,856	9,460,909	187.35%	71.87%
2019	0.07643%	20,379,942	10,132,702	201.13%	70.85%
2020	0.07687%	22,403,491	10,851,600	206.45%	70.05%
2021	0.07900%	24,238,310	11,392,351	212.76%	70.00%
2022	0.07993%	16,252,388	11,471,686	141.67%	80.97%
2023	0.08546%	29,405,463	13,112,606	224.25%	69.76%
2024	0.08921%	32,293,005	15,465,152	208.81%	69.96%
2025	0.08415%	30,075,277	16,650,413	180.63%	72.29%

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 CalPERS.

Changes in Assumptions

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

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

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

Fiscal Year	Proportion of the net pension liability	Proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	Total	Covered payroll	Proportionate share of the net pension liability as percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.05020%	\$ 33,803,380	\$ 20,463,488	\$ 54,266,868	\$ 23,680,709	142.75%	74.02%
2017	0.05140%	41,574,601	24,676,262	66,250,863	25,144,138	165.35%	70.04%
2018	0.04948%	45,755,672	28,176,762	73,932,434	26,371,566	173.50%	69.46%
2019	0.05015%	46,087,911	26,338,656	72,426,567	27,414,560	168.11%	70.99%
2020	0.04925%	44,485,658	43,420,086	87,905,744	26,736,916	166.38%	72.56%
2021	0.04995%	48,402,249	33,514,107	81,916,356	26,814,253	180.51%	71.82%
2022	0.04861%	22,124,291	12,526,525	34,650,816	27,352,663	80.89%	87.21%
2023	0.05250%	36,478,023	19,614,718	56,092,741	29,992,831	121.62%	81.20%
2024	0.05394%	41,082,473	19,436,027	60,518,500	33,234,906	123.61%	80.62%
2025	0.05197%	34,902,913	16,853,997	51,756,910	34,892,962	100.03%	83.55%

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.

Changes in Assumptions

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

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

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

<u>Fiscal Year</u>	<u>Contractually Required Contribution - District</u>	<u>Contributions - District</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2016	\$ 962,593	\$ (962,593)	\$ -	\$ 8,125,205	11.847%
2017	1,313,931	(1,313,931)	-	9,460,909	13.888%
2018	1,573,710	(1,573,710)	-	10,132,702	15.531%
2019	1,960,016	(1,960,016)	-	10,851,600	18.062%
2020	2,246,686	(2,246,686)	-	11,392,351	19.721%
2021	2,374,639	(2,374,639)	-	11,471,686	20.700%
2022	3,004,098	(3,004,098)	-	13,112,606	22.910%
2023	3,923,509	(3,923,509)	-	15,465,152	25.370%
2024	4,442,330	(4,442,330)	-	16,650,413	26.680%
2025	4,294,396	(4,294,396)	-	15,875,769	27.050%

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

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

<u>Fiscal Year</u>	<u>Contractually Required Contribution - District</u>	<u>Contribution in relation to the actuarially determined contributions</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2016	\$ 2,697,966	\$ (2,697,966)	\$ -	\$ 25,144,138	10.73%
2017	3,317,543	(3,317,543)	-	26,371,566	12.58%
2018	3,955,921	(3,955,921)	-	27,414,560	14.43%
2019	4,352,770	(4,352,770)	-	26,736,916	16.28%
2020	4,585,237	(4,585,237)	-	26,814,253	17.10%
2021	4,417,455	(4,417,455)	-	27,352,663	16.15%
2022	5,074,787	(5,074,787)	-	29,992,831	16.92%
2023	6,347,867	(6,347,867)	-	33,234,906	19.10%
2024	6,664,556	(6,664,556)	-	34,892,962	19.10%
2025	6,770,676	(6,770,676)	-	35,448,564	19.10%

GARVEY SCHOOL DISTRICT
SCHEDULE OF CHANGE IN NET OPEB LIABILITY AND RELATED RATIOS
 Last 10 Years*
 As of June 30, 2025

Employer Fiscal Year End Measurement Period	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
	2024-25 ¹	2023-24 ¹	2022-23 ¹	2021-22 ¹	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ¹
Total OPEB Liability								
Service Cost	\$ 1,018,729	\$ 1,019,523	\$ 1,028,382	\$ 1,311,886	\$ 1,095,510	\$ 1,308,515	\$ 1,276,328	\$ 1,240,659
Interest on the Total OPEB Liability	1,040,600	877,959	814,214	634,530	704,779	858,619	832,259	770,352
Changes of Benefit Terms	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	(335,325)	2,753,357	(74,894)	(1,201,228)	(75,424)	(4,175,356)	-	-
Changes of Assumptions	(1,924,472)	(541,027)	(465,500)	(3,697,476)	2,053,198	772,212	(357,241)	-
Benefit Payments	(396,994)	(477,500)	(462,043)	(454,913)	(461,008)	(207,716)	(397,433)	(455,000)
Implicit subsidy credit	(254,205)	(156,351)	(131,455)	(147,646)	(160,696)	(302,689)	(290,917)	(274,489)
Net Change in Total OPEB Liability	(851,667)	3,475,961	708,704	(3,554,847)	3,156,359	(1,746,415)	1,062,996	1,281,522
Total OPEB Liability - Beginning	25,518,433	22,042,472	21,333,768	24,888,615	21,732,256	23,478,671	22,415,675	21,134,153
Total OPEB Liability - Ending	\$ 24,666,766	\$ 25,518,433	\$ 22,042,472	\$ 21,333,768	\$ 24,888,615	\$ 21,732,256	\$ 23,478,671	\$ 22,415,675
Covered Payroll	\$ 48,757,746	\$ 46,676,040	\$ 42,511,534	\$ 40,508,453	\$ 38,982,629	\$ 37,252,302	\$ 38,012,215	\$ 39,283,159
Net OPEB Liability as a Percentage of Covered Payroll	50.59%	54.67%	51.85%	52.66%	63.85%	58.34%	61.77%	57.06%

¹ Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable.

*- Fiscal year 2018 was the 1st year of implementation, therefore only eight years are shown.

GARVEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICARE PREMIUM PAYMENT PROGRAM
Last 10 Years*
As of June 30, 2025

Employer Fiscal Year End Measurement Period	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of the net OPEB liability	0.0758%	0.0798%	0.0788%	0.0731%	0.0757%	0.0761%	0.0789%	0.0787%
District's proportionate share of the net OPEB liability	\$ 202,065	\$ 242,094	\$ 259,526	\$ 314,245	\$ 320,771	\$ 283,491	\$ 301,836	\$ 331,291
District's covered payroll ¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan's total OPEB liability	\$ 263,860,000	\$ 300,566,000	\$ 326,345,000	\$ 398,864,000	\$ 420,872,000	\$ 369,413,000	\$ 381,228,000	\$ 420,749,000
Plan's fiduciary net position	\$ (2,688,000)	\$ (2,871,000)	\$ (3,066,000)	\$ (3,174,000)	\$ (3,003,000)	\$ (2,984,000)	\$ (1,542,000)	\$ 41,000,000
Plan fiduciary net position as a percentage of the total OPEB liability	-1.019%	-0.955%	-0.939%	-0.796%	-0.714%	-0.808%	-0.404%	9.745%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule in future fiscal years until 10 years of information is available

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program, therefore, the covered payroll disclosure is not applicable.

GARVEY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
Last 10 Years
As of June 30, 2025

Per GASB 75 Statement No. paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The District does not currently calculate an ADC.

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SUPPLEMENTARY INFORMATION SECTION

GARVEY SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
June 30, 2025

	<u>Cafeteria Fund</u>
Assets	
Cash in County Treasury	\$ 3,833,806
Accounts receivable	874,822
Inventory, at cost	<u>8,265</u>
Total assets	<u>\$ 4,716,893</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	<u>\$ 151,833</u>
Total liabilities	<u>151,833</u>
Fund balance:	
Nonspendable	
Store inventories	8,265
Restricted	
Child nutrition program	<u>4,556,795</u>
Total fund balance	<u>4,565,060</u>
Total liabilities and fund balance	<u>\$ 4,716,893</u>

GARVEY SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2025

	Cafeteria Fund
Revenues:	
Federal	\$ 3,841,917
Other state	1,674,636
Other local	133,959
	<hr/>
Total revenues	5,650,512
	<hr/>
Expenditures:	
Classified salaries	1,810,875
Employee benefits	940,592
Books and supplies	1,851,963
Contracted services and other operating expenditures	46,290
Other outgo	164,655
	<hr/>
Total expenditures	4,814,375
	<hr/>
Excess of revenues over (under) expenditures	836,137
	<hr/>
Fund balance, July 1, 2024	3,728,923
	<hr/>
Fund balance, June 30, 2025	\$ 4,565,060
	<hr/> <hr/>

GARVEY SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Cafeteria Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	\$ 3,143,169	\$ 3,841,917	\$ 698,748
Other state	1,603,528	1,674,636	71,108
Other local	172,615	133,959	(38,656)
Total revenues	<u>4,919,312</u>	<u>5,650,512</u>	<u>731,200</u>
Expenditures:			
Classified salaries	1,810,875	1,810,875	
Employee benefits	940,593	940,592	1
Books and supplies	1,728,113	1,851,963	(123,850)
Contracted services and other operating expenditures	46,291	46,290	1
Other outgo	164,656	164,655	1
Total expenditures	<u>4,690,528</u>	<u>4,814,375</u>	<u>(123,847)</u>
Excess of revenues over (under) expenditures	228,784	836,137	607,353
Fund balance, July 1, 2024	<u>3,728,923</u>	<u>3,728,923</u>	
Fund balance, June 30, 2025	<u><u>\$ 3,957,707</u></u>	<u><u>\$ 4,565,060</u></u>	<u><u>\$ 607,353</u></u>

GARVEY SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2025

	County School Facilities Fund	Capital Facilities Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash in county treasury	\$ 61,540	\$ 2,339,658	\$ 2,401,198
Accounts receivable	572	20,979	21,551
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 62,112</u>	<u>\$ 2,360,637</u>	<u>\$ 2,422,749</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Restricted			
Construction	62,112	2,360,637	2,422,749
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>62,112</u>	<u>2,360,637</u>	<u>2,422,749</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 62,112</u>	<u>\$ 2,360,637</u>	<u>\$ 2,422,749</u>

GARVEY SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2025

	County School Facilities Fund	Capital Facilities Fund	Totals
Revenues:			
Other local	\$ 3,103	\$ 322,198	\$ 325,301
Total revenues	<u>3,103</u>	<u>322,198</u>	<u>325,301</u>
Expenditures:			
Contracted services and other operating expenditures		27,266	27,266
Capital outlay			
Total expenditures		<u>27,266</u>	<u>27,266</u>
Net change in fund balances	3,103	294,932	298,035
Fund balances, July 1, 2024	<u>59,009</u>	<u>2,065,705</u>	<u>2,124,714</u>
Fund balances, June 30, 2025	<u>\$ 62,112</u>	<u>\$ 2,360,637</u>	<u>\$ 2,422,749</u>

GARVEY SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	County School Facilities Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 1,200	\$ 3,103	\$ 1,903
Total revenues	1,200	3,103	1,903
Expenditures:			
Contracted services and other operating expenditures			
Capital outlay			
Total expenditures			
Net change in fund balances	1,200	3,103	1,903
Fund balances, July 1, 2024	59,009	59,009	
Fund balances, June 30, 2025	<u>\$ 60,209</u>	<u>\$ 62,112</u>	<u>\$ 1,903</u>

Capital Facilities Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 875,000	\$ 322,198	\$ (552,802)	\$ 876,200	\$ 325,301	\$ (550,899)
875,000	322,198	(552,802)	876,200	325,301	(550,899)
8,207	27,266	(19,059)	8,207	27,266	(19,059)
414,844		414,844	414,844		414,844
423,051	27,266	395,785	423,051	27,266	395,785
451,949	294,932	(157,017)	453,149	298,035	(155,114)
2,065,705	2,065,705		2,124,714	2,124,714	
<u>\$ 2,517,654</u>	<u>\$ 2,360,637</u>	<u>\$ (157,017)</u>	<u>\$ 2,577,863</u>	<u>\$ 2,422,749</u>	<u>\$ (155,114)</u>

GARVEY SCHOOL DISTRICT
HISTORY AND ORGANIZATION
June 30, 2025

The Garvey School District was established in 1892, and is comprised of an area of approximately six square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current fiscal year. The District is currently operating eight elementary schools and two intermediate schools.

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Andrew J. Yam	President	November, 2026
Ronald Trabanino	Vice President	November, 2026
Maureen Chin	Clerk	November, 2028
John N. Hunez	Member	November, 2028
Paul Duran	Member	November, 2026

DISTRICT ADMINISTRATORS

Anita Chu
Superintendent

Dr. Kitty Louie
Assistant Superintendent, Learning Support Services

Anna Molinar
Assistant Superintendent, Human Resources

Rene Hernandez
Assistant Superintendent, Student Support Services

Marvin Lee
Director II, Fiscal Support Services

GARVEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2025

	Second Period Report	Annual Report
Regular Elementary		
Transitional Kindergarten through Third	1,746.17	1,752.52
Fourth through Sixth	1,394.01	1,399.52
Seventh and Eighth	915.20	915.45
Extended Year Special Education		
Transitional Kindergarten through Third	6.10	6.10
Fourth through Sixth	2.54	2.54
Seventh and Eighth	1.42	1.42
Special Education – Nonpublic, Nonsectarian		
Transitional Kindergarten through Third	0.90	0.92
Fourth through Sixth	2.69	2.69
Seventh and Eighth	2.74	3.46
Extended Year Special Education – Nonpublic, Nonsectarian		
Transitional Kindergarten through Third	0.21	0.21
Fourth through Sixth	0.19	0.19
Seventh and Eighth	0.07	0.07
	4,072.24	4,085.09
Total Average Daily Attendance	4,072.24	4,085.09

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

GARVEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2025

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes Approved ¹	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days Approved ¹	Total Instructional Days	Status ²
Transitional Kindergarten	36,000	53,396	888	54,284	177	3	180	Complied
Kindergarten	36,000	53,396	888	54,284	177	3	180	Complied
1st Grade	50,400	53,396	888	54,284	177	3	180	Complied
2nd Grade	50,400	53,396	888	54,284	177	3	180	Complied
3rd Grade	50,400	53,396	888	54,284	177	3	180	Complied
4th Grade	54,000	53,396	888	54,284	177	3	180	Complied
5th Grade	54,000	53,396	888	54,284	177	3	180	Complied
6th Grade	54,000	53,396	888	54,284	177	3	180	Complied
7th Grade	54,000	57,976	963	58,939	177	3	180	Complied
8th Grade	54,000	57,976	963	58,939	177	3	180	Complied

¹ The District submitted a J-13A Waiver Request for loss of instructional minutes and days due to an emergency closure resulting from [Los Angeles County Fires]. The J-13A Waiver was approved by the California Department of Education on [March 26, 2025] for the minutes and days as follows:

Grade Span	Approved Minutes	Approved Days
Grades K-3	888	3
Grades 4-6	888	3
Grades 7-8	963	3

² Determination of compliance is based on the actual minutes and days plus the J-13A approved minutes and days for the 2024-25 fiscal year.

Districts must maintain their instructional minutes as defined in Education Code Section 46207 and day requirement as defined in Education Code Section 41420.

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

GARVEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

<u>General Fund</u>	(Budget) <u>2026 (Note 2)</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenues and other financial sources	\$ 87,573,769	\$ 87,934,111	\$ 102,935,415	\$ 102,935,415
Expenditures	93,362,307	90,453,778	92,488,381	92,488,381
Other uses and transfers out	-	-	-	-
Total outgo	93,362,307	90,453,778	92,488,381	92,488,381
Change in fund balance	(5,788,538)	(2,519,667)	10,447,034	10,447,034
Restatements	-	(386,004)	-	-
Ending fund balance	\$ 33,757,259	\$ 39,545,797	\$ 42,451,468	\$ 32,004,434
Available reserves (Note 1)	\$ 2,800,869	\$ 2,915,197	\$ 2,774,651	\$ 2,774,651
Available reserves as a percentage of total outgo	3.00%	3.22%	3.00%	3.00%
Total long-term liabilities	\$ 101,090,438	\$ 110,240,128	\$ 88,580,182	\$ 84,572,300
Average daily attendance at P-2	4,002	4,072	4,064	4,022

This schedule discloses the District’s financial trends by displaying past fiscal years’ data along with current fiscal year budget information. These financial trend disclosures are used to evaluate the District’s ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased by \$7,541,363 over the past two fiscal years. The fiscal year 2025-2026 adopted budget projects a deficit of \$5,788,538. For a district this size, the state recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years and is anticipating an operating deficit during the fiscal year 2025-26. Total long-term debt has increased \$25,667,828 over the past two fiscal years.

Average daily attendance (ADA) has increased by 50 over the past two fiscal years. An decrease of 70 ADA is anticipated during the fiscal year 2025-26.

NOTES:

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

GARVEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal Assistance Listing Number	Pass-through Entity Identification Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
Child Nutrition Cluster			
Child Nutrition: School Programs (NSL Sec 4)	10.555	13523	\$ 366,329
Child Nutrition: School Programs (NSL Sec 11)	10.555	13524	2,140,120
Child Nutrition: Meal Supplements	10.555	13755	335,675
Child Nutrition: School Programs (School Breakfast Needy)	10.553	13526	625,672
USDA Commodities*	10.555	**	367,098
Child Nutrition: Local Food for School	10.555	15708	7,023
Total Child Nutrition Cluster			3,841,917
Total U.S. Department of Agriculture			3,841,917
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
Every Student Succeeds Act (ESSA)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,553,757
Title II, Part A Supporting Effective Instruction	84.367	14341	182,296
Title III, English Learner Student Program	84.365	14346	337,966
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	110,997
Subtotal Every Student Succeeds Act (ESSA)			3,185,016
COVID-19 - Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief (ESSER III) Fund	84.425U	15559	5,000
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	84,888
Subtotal Education Stabilization Fund Discretionary Grant			89,888
Special Education (IDEA) State Grants Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027A	13379	876,053
Preschool Grants, Part B, Sec 619	84.173A	13430	56,507
Mental Health Allocation Plan, Part B, Sec 611	84.027	15197	27,414
Preschool Staff Development, Part B, Sec 619	84.173A	13431	183
Total Special Education Cluster			960,157
Total U.S. Department of Education			4,235,061
U.S. Department of Health and Human Services:			
Passed through Los Angeles County Office of Education (LACOE):			
Head Start Cluster:			
Head Start Basic	93.600	C-24437	6,524,706
Head Start Basic Carryover I	93.600	C-23436	3,756,243
Head Start Training and Technical Review	93.600	C-24437	9,780
Head Start Extended Duration/Dosage	93.600	C-23436	65,911
Early Head Start Basic	93.600	C-24437	4,446,978
Head Start Basic LCE	93.600	C-23436	311,599
Early Head Start LCE	93.600	C-23436	82,351
Early Head Start Training and Technical Review	93.600	C-24437	5,510
Early Head Start Expansion Carryover	93.600	C-22520	280,520
Total Head Start Cluster			15,483,598 ***
Total U.S. Department of Health & Human Services			15,483,598
Total expenditures of federal awards			\$ 23,560,576

* Indicated a noncash expenditures

** Pass-Through Entity Identifying Number not available or not applicable

*** Denotes major program

The accompanying note is an integral part of this schedule.

GARVEY SCHOOL DISTRICT

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Garvey School 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 District's basic financial statements.

The District has elected not to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

For the fiscal year ended June 30, 2025, the District did not have payments passed through to other agencies.

GARVEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2025

	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>
June 30, 2025, unaudited actual fund balances	<u>\$ 31,478,570</u>	<u>\$ 788,624</u>	<u>\$ 4,565,060</u>
June 30, 2025, audited financial statements fund balances	<u><u>\$ 31,478,570</u></u>	<u><u>\$ 788,624</u></u>	<u><u>\$ 4,565,060</u></u>
	<u>Self - Insurance Fund</u>		
June 30, 2025, unaudited actual net position	<u>\$ 1,447,899</u>		
Overstatement of claims payable	<u>795,915</u>		
June 30, 2025, audited financial statements net position	<u><u>\$ 2,243,814</u></u>		

This schedule provides the information necessary to reconcile the fund balances and net position of all funds as reported on the unaudited actual to the audited financial statements.

<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>
<u>\$ 9,225,547</u>	<u>\$ 2,360,637</u>	<u>\$ 62,112</u>	<u>\$ 6,208,052</u>
<u><u>\$ 9,225,547</u></u>	<u><u>\$ 2,360,637</u></u>	<u><u>\$ 62,112</u></u>	<u><u>\$ 6,208,052</u></u>



MOSS, LEVY & HARTZHEIM LLP

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

Board of Trustees
Garvey School District
Rosemead, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garvey School District (the "District"), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2026.

Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 27, 2026



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Garvey School District
Rosemead, California

Report on State Compliance

Qualified Opinion on State Compliance

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Compliance section of our report, the District complied, in all material respects, with the compliance requirements that are applicable to the laws and regulations of the state programs referred to above for the fiscal year ended June 30, 2025.

Basis for Qualified Opinion on Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2024-2025 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting, prescribed by Title 5, California Code of Regulations, Section 19810*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matters Giving Rise to Qualified Opinion on State Compliance

As described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001, the District did not comply with requirements regarding Classroom Teacher Salaries. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to State Compliance.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations, Section 19810* Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher certification and misassignments	Yes
Independent study	Not Applicable
Continuation education	Not Applicable
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	Not Applicable
Gann limit calculation	Yes
School accountability report card	Yes
Juvenile court schools	Not Applicable
Middle or early college high schools	Not Applicable
K-3 grade span adjustment	Yes
Apprenticeship: Related and supplemental instruction	Not Applicable
Comprehensive school safety plan	Yes
District of choice	Not Applicable
Home to school transportation reimbursement	Yes

Description	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	Yes
Proper expenditures of education protection account funds	Yes
Unduplicated local control funding 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	Not Applicable
Mode of instruction	Not Applicable
Nonclassroom-based instruction/independent study	Not Applicable
Determination of funding for nonclassroom-based instruction	Not Applicable
Annual instructional minutes - classroom based	Not Applicable
Charter school facility grant program	Not Applicable

The term “not applicable” is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 27, 2026



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Garvey School District
Rosemead, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Garvey School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 27, 2026

FINDINGS AND RECOMMENDATIONS SECTION

GARVEY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses	<u> </u> Yes	<u> X </u> None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a) Yes X No

Identification of major federal programs

<u>Assistance Listing Number (s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee: X Yes No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Guide for Annual Audit of K-12 Local Education Agencies and State Compliance Reporting? X Yes None reported

Type of auditor’s report issued on compliance for state programs: Qualified

GARVEY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2025

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2025.

Section III – Federal Award Findings

There were no findings on federal awards.

Section IV – State Award Findings

Finding 2025-001: Classroom Teacher Salaries (61000)

Criteria or Specific Requirements: Education Code section 41372 requires the District's expenditures related to classroom teacher salaries (CEA) during the audit year to meet or exceed 60% of the total current expense of education in the District's General Fund.

Context: We performed the specific audit procedures enumerated in the State of California's 2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting and identified an initial error.

Condition: The total current expense of education in the General Fund for the audit year was calculated to be \$81,268,427, and the classroom teacher salaries and related benefits totaled \$40,235,083. The ratio of classroom teacher salaries to the current expense of education was calculated to be 49.51%, which is deficient by 10.49% from the requirement of 60%, or \$8,525,058.

Questioned costs: Not applicable.

Effect: The District did not comply with the Classroom Teacher Salaries requirement for the fiscal year ended June 30, 2025.

Cause: The District did not establish adequate internal controls to ensure that the total expenditures for classroom teacher salaries exceeded the minimum required percentage.

Recommendation: The District should apply for exemption through the Los Angeles County Office of Education and ensure ongoing monitoring for compliance.

Corrective Action Plan and View of Responsible Officials: Management concurs that the District was out of compliance with the ratio of classroom teacher salaries as a percentage of the current expense of education in the General Fund, for the fiscal year ended June 30, 2025. An application for Exemption from the Required Expenditures of Classroom Teachers' Salaries will be filed with the Los Angeles County Office of Education. In addition, the District will establish a practice to monitor CEA reporting compliance.

GARVEY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2025

Section II – Financial Statement Findings

There were no prior year findings related to the financial statements for the fiscal year ended June 30, 2024.

Section III – Federal Award Findings

There were no prior year findings on federal awards.

Section IV – State Award Findings

There were no prior year findings on state awards.

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APPENDIX C

GENERAL INFORMATION ABOUT THE CITIES OF MONTEREY PARK, SAN GABRIEL AND ROSEMEAD AND LOS ANGELES COUNTY

*The following information about the Cities of Monterey Park, San Gabriel and Rosemead (together, the “**Cities**”) and Los Angeles County (the “**County**”) is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the Cities, the County, the State of California (the “**State**”) or any of its political subdivisions (other than the District), and neither the Cities, the County, the State or any of its political subdivisions (other than the District) is liable therefor.*

General Information

City of Monterey Park. Monterey Park is located 6 miles east of downtown Los Angeles. Incorporated in 1916, it is a general law city that operates under the Council-Manager form of government. The governing council consists of five members, who are elected at large to serve staggered four-year terms. The council appoints the City Manager, who in turn appoints the heads of various departments. Comprised of 7.73 square miles, the city is listed as one of the top three best places to live in America by Money magazine. It is primarily a residential community.

City of Rosemead. Incorporated in 1959 as a general law city, Rosemead consists of approximately 5.5 square miles and operates under the Council-Manager form of government. The governing council consists of five members, who are elected at large to serve staggered four-year terms. The council hires the government’s manager, who in turn appoints the heads of various departments. Many of the functions often provided by municipal government are provided by special districts. With a varied retail and industrial base, sales tax is Rosemead’s second largest revenue base after property tax, and the city is actively pursuing economic development with new hotels and mixed-use projects under construction recently.

City of San Gabriel. Located approximately 10 miles northeast of downtown Los Angeles, San Gabriel was incorporated in 1913 as a general law city. It operates under the Council-Manager form of government. The governing council consists of five members, who are elected at large to serve staggered four-year terms. The council appoints the City Manager, who in turn appoints the heads of various departments. Primarily a residential community, the city is also home to the fourth California Mission, which was established in 1771. With a low percentage of industrial property, the city is seeing interest from hotel chains and national retailers seeking to establish a presence in the region.

The County. Located along the southern coast of California, the County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The County includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties.

Almost half of the County is mountainous and some 14 percent is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the county is a semi-dry plateau, the beginning of the vast Mojave Desert.

According to the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the County cover about 1,344 square miles or 27 percent of the total County. About 16 percent of the land in the County is devoted to residential use and over two thirds of the land is open space and vacant.

Population

The following table lists population estimates for the Cities, County and State for the last five calendar years, as of January 1.

**CITY OF MONTEREY PARK, CITY OF SAN GABRIEL, CITY OF ROSEMEAD,
COUNTY OF LOS ANGELES, AND STATE OF CALIFORNIA
POPULATION ESTIMATES**

Area	2021	2022	2023	2024	2025
City of Monterey Park	60,818	59,857	59,498	59,349	59,269
City of San Gabriel	39,352	38,649	38,538	38,569	38,953
City of Rosemead	50,986	50,349	50,171	50,296	50,501
Los Angeles County	9,966,353	9,870,212	9,834,286	9,848,643	9,876,811
State of California	39,369,530	39,179,680	39,228,444	39,420,663	39,529,101

Source: State of California, Department of Finance, as of January 1.

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Employment and Industry

The seasonally adjusted unemployment rate in Los Angeles County decreased over the month to 5.6 percent in December 2025 from a revised 5.7 percent in November 2025 and was below the rate of 6.1 percent a year ago. Civilian employment increased by 22,000 to 4,851,000 in December 2025, while unemployment decreased over the month to 288,000. The civilian labor force increased by 19,000 over the month to 5,139,000 in December 2025. All the above figures are seasonally adjusted. The unadjusted unemployment rate for the County was 5.0 percent in December 2025.

The California seasonally adjusted unemployment rate was 5.5 percent in December 2025, 5.6 percent in November 2025, and 5.5 percent a year ago in December 2024. The comparable estimates for the nation were 4.4 percent in December 2025, 4.5 percent in November 2025, and 4.1 percent a year ago.

LOS ANGELES-LONG BEACH-GLENDALE MD (LOS ANGELES COUNTY) Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2024 Benchmark)

	2020	2021	2022	2023	2024
Civilian Labor Force ⁽¹⁾	4,972,600	4,999,700	5,021,800	5,055,300	5,109,800
Employment	4,363,200	4,551,600	4,771,700	4,799,000	4,812,600
Unemployment	609,400	448,100	250,100	256,200	297,200
Unemployment Rate	12.3%	9.0%	5.0%	5.1%	5.8%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	4,400	4,600	4,800	4,700	4,800
Mining and Logging	1,700	1,600	1,700	1,700	1,700
Construction	146,600	149,000	151,300	151,200	150,900
Manufacturing	315,400	313,100	321,700	318,400	310,800
Wholesale Trade	201,100	202,600	204,400	200,200	195,300
Retail Trade	375,700	396,100	405,500	404,900	400,100
Trans., Warehousing, Utilities	207,900	215,200	223,600	217,900	218,600
Information	191,100	208,800	234,900	193,100	189,800
Financial and Insurance	132,300	129,000	126,600	122,600	120,000
Real Estate, Rental & Leasing	80,900	84,100	89,200	88,300	88,800
Professional and Business Services	601,000	630,800	666,900	656,800	657,800
Educational and Health Services	821,700	844,400	871,100	920,300	969,400
Leisure and Hospitality	393,700	434,200	512,400	534,100	537,400
Other Services	128,800	135,700	153,000	157,400	158,400
Federal Government	50,200	47,700	47,100	47,900	48,300
State Government	89,000	90,700	95,400	98,500	100,300
Local Government	431,000	421,900	427,500	435,800	442,500
Total All Industries ⁽³⁾	4,172,500	4,309,700	4,536,900	4,553,700	4,594,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of April 2026, in alphabetical order.

LOS ANGELES COUNTY Major Employers (Listed Alphabetically) As of April 2026

Employer Name	Location	Industry
All Nations Church	Sylmar	Churches
California State Univ Nrthrdg	Northridge	Schools-Universities & Colleges Academic
Cedars-Sinai Health System	West Hollywood	Health Care Management
County-Los Angeles Fire Dept	Commerce	Non-Profit Organizations
Emanate Health Queen-The Vly	West Covina	Hospitals
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
Live Nation	Los Angeles	Entertainment Bureaus
Long Beach City Hall	Long Beach	City Hall
Longshore Dispatch	Wilmington	Labor Organizations
Los Angeles County Fire Dept	Acton	Fire Departments
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Medical Ctr	Los Angeles	Pathologists
Los Angeles Police Dept	Los Angeles	Police Departments
Memorialcare Long Beach Med	Long Beach	Hospitals
PIH Health	Whittier	Health Care Management
Security Industry Specialist	Culver City	Security Systems Consultants
Six Flags Magic Mountain	Valencia	Amusement & Theme Parks
Sony Pictures Entrtn Inc	Culver City	Motion Picture Producers & Studios
TELEVISION CITY	Los Angeles	Television Stations & Broadcasting Co
UCLA Community Based Learning	Los Angeles	Junior-Community College-Tech Institutes
Vision X	Los Angeles	Call Centers
Walt Disney Co	Burbank	Amusement & Theme Parks
Water Garden Management	Santa Monica	Office Buildings & Parks

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2026 1st Edition.

Effective Buying Income

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

The following table summarizes the total effective buying income and median household effective buying income for the Cities, the County, the State and the United States for the period 2022 through 2026.

**CITY OF MONTEREY PARK, CITY OF SAN GABRIEL, CITY OF ROSEMEAD,
COUNTY OF LOS ANGELES,
STATE OF CALIFORNIA, AND UNITED STATES
Effective Buying Income
2022 through 2026**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2022	City of Monterey Park	\$1,827,850	\$66,357
	City of San Gabriel	1,131,008	67,784
	City of Rosemead	1,087,499	61,751
	County of Los Angeles	327,445,237	71,404
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Monterey Park	\$1,817,223	\$65,430
	City of San Gabriel	1,198,752	71,569
	City of Rosemead	1,059,290	60,378
	County of Los Angeles	332,188,114	71,057
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Monterey Park	\$1,826,008	\$69,917
	City of San Gabriel	1,227,526	75,342
	City of Rosemead	1,129,641	64,820
	County of Los Angeles	342,046,555	74,246
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Monterey Park	\$1,898,513	\$71,067
	City of San Gabriel	1,238,139	76,049
	City of Rosemead	1,148,824	66,088
	County of Los Angeles	351,923,537	75,103
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687
2026	City of Monterey Park	\$2,137,488	\$76,528
	City of San Gabriel	1,422,632	84,537
	City of Rosemead	1,270,045	71,072
	County of Los Angeles	398,695,554	83,737
	California	1,730,654,738	90,403
	United States	13,932,177,817	75,433

Source: Claritas, LLC.

Commercial Activity

A summary of historic taxable sales within the Cities and the County for calendar years 2020 through 2024 is shown in the following tables.

During the first three quarters of calendar year 2025, total taxable transactions in the City of Monterey Park were reported to be \$666,887,401, a 0.09% increase in the total taxable transactions of \$666,256,268 that were reported in the City of Monterey Park during the comparable quarters of calendar year 2024.

CITY OF MONTEREY PARK Taxable Transactions For Calendar Years 2020 through 2024 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	1,024	\$552,640	1,714	\$675,377
2021	1,002	686,355	1,685	836,818
2022	986	799,079	1,728	932,830
2023	998	788,455	1,716	916,191
2024	1,045	800,267	1,793	920,108

Source: State Department of Tax and Fee Administration.

During the first three quarters of calendar year 2025, total taxable transactions in the City of San Gabriel were reported to be \$295,007,346, a 1.45% decrease from the total taxable transactions of \$299,357,097 that were reported in the City of San Gabriel during the comparable quarters of calendar year 2024.

CITY OF SAN GABRIEL Taxable Transactions For Calendar Years 2020 through 2024 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	968	\$216,388	1,512	\$262,280
2021	930	287,702	1,463	345,350
2022	916	322,581	1,461	397,294
2023	890	334,349	1,439	407,434
2024	905	321,361	1,490	400,402

Source: State Department of Tax and Fee Administration.

During the first three quarters of calendar year 2025, total taxable transactions in the City of Rosemead were reported to be \$409,854,099, a 1.60% decrease from the total taxable transactions of \$416,499,086 that were reported in the City of Rosemead during the comparable quarters of calendar year 2024.

CITY OF ROSEMEAD
Taxable Transactions
For Calendar Years 2020 through 2024
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	824	\$360,182	1,399	\$401,859
2021	808	438,148	1,375	527,948
2022	823	513,343	1,393	575,782
2023	854	547,216	1,418	585,216
2024	867	521,567	1,459	570,246

Source: State Department of Tax and Fee Administration.

During the first three quarters of calendar year 2025, total taxable transactions in the County were reported to be \$149,901,934,323, a 1.28% decrease from the total taxable transactions of \$151,842,458,378 reported during the comparable quarters of calendar year 2024.

COUNTY OF LOS ANGELES
Taxable Transactions
For Calendar Years 2020 through 2024
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	226,643	\$113,415,974	376,990	\$157,737,984
2021	208,412	139,000,373	349,061	192,524,203
2022	210,441	150,622,624	354,092	213,716,609
2023	202,366	146,164,088	342,582	208,502,835
2024	202,854	143,821,035	344,742	205,810,069

Source: State Department of Tax and Fee Administration.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL LLP]

[Closing Date]

Board of Education
Garvey School District
2730 North Del Mar Avenue
Rosemead, California 91770

OPINION: \$ _____ Garvey School District (Los Angeles County,
California) 2026 Refunding General Obligation Bonds _____

Members of the Board of Education:

We have acted as bond counsel to the Garvey School District (the "District") in connection with the issuance by the District of \$ _____ principal amount of 2026 Refunding General Obligation Bonds (the "Bonds"), under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Act") and a resolution adopted by the Board of Education of the District (the "Board") on April 2, 2026 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable upon the District in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District with respect to the District.
4. The Board of Supervisors of Los Angeles County is obligated to levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

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

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

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
GARVEY SCHOOL DISTRICT
(Los Angeles County, California)
2026 Refunding General Obligation Bonds

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Garvey School District (the “District”) in connection with the execution and delivery of the captioned bonds (the “Bonds”). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Education of the District on April 2, 2026 (the “Bond Resolution”). U.S. Bank Trust Company, National Association, as agent for the Treasurer and Tax Collector of Los Angeles, California, is initially acting as paying agent for the Bonds (the “Paying Agent”).

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

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

“*Dissemination Agent*” means Isom Advisors, a Division of Urban Futures Inc., or any subsequent third-party dissemination agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

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

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

“*Paying Agent*” means U.S. Bank Trust Company, National Association, Los Angeles, California, as agent for the Treasurer and Tax Collector of Los Angeles, California, or any successor thereto.

“*Participating Underwriter*” means the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

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

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

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

- (i) Total assessed value of taxable property in the jurisdiction of the District;
- (ii) Assessed valuation of the properties of the top 20 secured property taxpayers in the District;
- (iii) Property tax collection delinquencies for the District for the most recently completed fiscal year, but only if the County does not participate in a Teeter Plan and such information is available from the County at the time of filing the Annual Report;
- (iv) The District's most recently adopted Budget or approved interim report with budgeted figures which is available at the time of filing the Annual Report; and
- (v) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of this Section 4, in the light of the circumstances under which they are made, not misleading.

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

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that District determines the event’s occurrence is material for

purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

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

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

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

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

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

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds,

after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

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

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

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

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

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

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

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

Date: _____, 2026

GARVEY SCHOOL DISTRICT

By: _____
Name: _____
Title: _____

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APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G

**LOS ANGELES COUNTY INVESTMENT POLICY
AND SUMMARY OF INVESTMENT REPORT**

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ELIZABETH BUENROSTRO GINSBERG
TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437
Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and propertytax.lacounty.gov

Board of Supervisors

HILDA L. SOLIS
First District

HOLLY J. MITCHELL
Second District

LINDSEY P. HORVATH
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

March 11, 2025

18 March 11, 2025

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

EDWARD YEN
EXECUTIVE OFFICER

Dear Supervisors:

**DELEGATION OF AUTHORITY TO INVEST AND
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR
INVESTMENT POLICY
(ALL DISTRICTS) (3-VOTES)**

SUBJECT

Delegation of authority to invest and reinvest County funds and funds of other depositors in the County Treasury to the Treasurer and Tax Collector (Treasurer), and adoption of the Treasurer and Tax Collector Investment Policy.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate the authority to the Treasurer to invest and reinvest County funds and funds of other depositors in the County Treasury.
2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions allow the Treasurer to continue to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. On March 19, 2024, pursuant to Government Code (GC) Section 27000.1, and subject to GC Section 53607, your Board delegated to the Treasurer the annual authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury. GC Section 27000.1 states that subsequent to your Board's delegation, the Treasurer shall thereafter assume full responsibility for those transactions until your Board either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in GC Section 53607. This action requests renewal of the annual delegation.

GC Section 53646 permits your Board to annually approve the Investment Policy. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. These objectives align with those in State law. Each year, my office reviews the Investment Policy to incorporate changes deemed necessary to meet our primary objectives and to ensure that it aligns with any changes in the GC.

Based on our analysis and in consideration of current market conditions, we recommend no changes to the Investment Policy for 2025. However, we have provided the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings (Attachment III).

Update on Environmental, Social and Corporate Governance (ESG)

On March 9, 2021, your Board approved changes to the Investment Policy in areas related to the consideration of Environmental, Social and Corporate Governance (ESG). Consistent with the 2021 Investment Policy, we incorporated Sustainalytics ESG scores as part of our analysis of investment issuers and have taken action to reduce investments if an issuer's composite ESG score is weaker than the median score for its industry. To date, the consideration of ESG scores in determining our issuers' investment limits has not impacted the County Treasury's return on investments.

In Fiscal Year (FY) 2023-24, the percentage of approved issuers with ESG scores increased to 58%, from 57% the prior year. Our purchase volume from issuers with ESG scores increased, from \$30.3 billion in FY 2022-23, to \$33.2 billion in FY 2023-24. This increase is largely attributable to the growth in the investment pool size.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan North Star 3, Realize tomorrow's government today; Focus Area Goal G, Internal Controls and Processes; Strategy ii. Manage and Maximize County Assets.

FISCAL IMPACT/FINANCING

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to GC Section 27000.1, your Board may delegate by ordinance the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer. On January 23, 1996, your Board adopted Ordinance 96-0007 adding Los Angeles County Code Section 2.52.025, which delegated such authority to the Treasurer, subject to annual renewal pursuant to GC Section 53607. GC 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This GC Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

The Honorable Board of Supervisors

3/11/2025

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Respectfully submitted,

A handwritten signature in cursive script that reads "Elizabeth Buenrostro Ginsberg".

ELIZABETH BUENROSTRO GINSBERG

Treasurer and Tax Collector

EBG:LP:DJJ:JK:bp

Enclosures

c: Chief Executive Officer
Executive Officer, Board of Supervisors
Auditor-Controller
County Counsel

**COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY**

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed \$500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, III, and IV (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 4.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 24 months' average total cash and investments, after adjustments, as indicated in Attachment III.

Business Continuity Plan

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread emergency. The BCP includes written guidelines to perform critical Treasury functions, contact

information for key personnel, authorized bank representatives and broker/dealers. The Treasurer's Office implemented its BCP in 2007.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or his authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.
- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealers Section

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

- A. Broker/Dealers with minimum capitalization of \$500 million and who meet all five of the below listed criteria:
 - 1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
 - 2. Be a member of the Financial Industry Regulatory Authority and;
 - 3. Be registered with the Securities and Exchange Commission and;
 - 4. Have been in operation for more than five years; and
 - 5. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in United States (U.S.) Treasuries and Agencies.

- B. Emerging firms that meet all of the following:
 - 1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
 - 2. Maintain office(s) in California and;
 - 3. Maintain a minimum capitalization of \$250,000 and, at the time of application, have a maximum capitalization of no more than \$10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

- A. Confirmation of daily trade transactions and all open trades in effect at month-end.
- B. Response to auditor requests for confirmation of investment transactions.
- C. Response to the Internal Controls Branch requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding \$100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

Consideration of Environmental, Social, and Corporate Governance (ESG) Scores

The Treasurer considers that environmental, social and governance (ESG) factors may financially impact the safety, liquidity and yield of investment opportunities. The Treasurer therefore may pursue pragmatic and cost-effective means to consider such factors to fulfill the objectives set forth for the PSI Portfolio.

The Treasurer may also seek to further the County's sustainability goals and enhance the transition to a green economy, consistent with the County's Sustainability Plan, Our County, in its investment decisions, as long as such investments achieve substantially equivalent safety, liquidity and yield compared to other investment opportunities.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the U.S. Government, its agencies and instrumentalities

1. Maximum maturity: None.
2. Maximum total par value: None.
3. Maximum par value per issuer: None.
4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment IV)

1. Maximum maturity: As limited in Attachment IV.
2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.
2. Maximum total par value: 20% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
4. All Asset-Backed securities must be rated in a rating category of "AA" or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

D. Bankers' Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
 - a) The total shareholders' equity of depository bank.
 - b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Must be issued by:
 - a) National or State-chartered bank, or
 - b) Savings association or Federal association, or
 - c) Federal or State credit union, or
 - d) Federally licensed or State-licensed branch of a foreign bank.
5. Euro CD's:
 - a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

- b) Maximum total par value: 10% of the PSI portfolio.
 - c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
 - d) Limited to London branch of National or State-chartered banks.
6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
- a) The total shareholders' equity of depository bank.
 - b) The total net worth of the depository bank.

F. Corporate and Depository Notes

- 1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.
- 2. Maximum total par value: 30% of the PSI portfolio.
- 3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
- 4. Notes MUST be issued by:
 - a) Corporations organized and operating within the U.S.
 - b) Depository institutions licensed by the U.S or any State and operating within the U.S.
- 5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

- 1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.
5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:
 - a) Specific basis for the benchmark rate.
 - b) Specific computation for the benchmark rate.
 - c) Specific reset period.
 - d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer's current credit rating.
4. Credit: Issuing Corporation - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
 - a) The entity meets the following criteria:
 - 1) Is organized and operating in the U.S. as a general corporation.
 - 2) Has total assets in excess of \$500 million.
 - 3) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a NRSRO.

b) The entity meets the following criteria:

- 1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.
- 2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
- 3) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

- a) Attained the highest possible rating by not less than two NRSROs.
- b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars (\$500,000,000).

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.
3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
 - a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - b) The adviser has not less than five years of experience investing in the

securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

- c) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

J. Repurchase Agreement

1. Maximum maturity: 30 days.
2. Maximum total par value: \$1 billion.
3. Maximum par value per dealer: \$500 million.
4. Agreements must be in accordance with approved written master repurchase agreement.
5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.
2. Maximum total par value: \$500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Maximum par value per broker: \$250 million.
4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the

Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.
6. Agreements must be in accordance with approved written master repurchase agreement.
7. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.
8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.
11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.
2. Maximum aggregate par value: \$100 million.
3. Maximum par value per counterparty: \$50 million. Counterparties for Forward and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated "A" or better from at least one nationally recognized rating agency.
4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.
5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed \$100,000 for each occurrence or exceed a total of \$250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.
6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.
7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.
8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating. Further, the counterparty to such an agreement SHALL be rated "A" or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated "A" or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.
2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.
4. Agreements SHALL only be made for the purpose of enhancing investment revenue.
5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.
6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

O. Supranationals

Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member

countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of "AA" or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

Permitted Investments are also subject to limitation based on the ESG score of individual issuers in comparison to the ESG score of the issuer's business sector, as rated by Sustainalytics. The limitation methodology is shown in Attachment II.

**MINIMUM CREDIT RATING
DOMESTIC ISSUERS**

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM
		A-1/AA	P-1/Aa	F1/AA	\$600MM
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.

**MINIMUM CREDIT RATING
FOREIGN ISSUERS**

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM
		A-1/AA	P-1/Aa	F1/AA	\$450MM
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
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 ATTACHMENT I-c.

**MINIMUM CREDIT RATING
 SUPRANATIONAL ISSUERS**

Issuer Rating (1)			Investment Limit (2)
S&P Global	Moody's Analytics	Fitch Ratings	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-d.

**MINIMUM CREDIT RATING
COMMERCIAL PAPER**

Maximum Maturity	Issuer Rating (1) (2)			Investment Limit (3)
	S&P Global	Moody's Analytics	Fitch Ratings	
270 days	A-1	P-1	F1	\$1.5 Billion

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) If an issuer has a long-term rating, it must be rated in a rating category of "A" or its equivalent or higher.
- (3) Maximum combined par value for all issuers is limited to 40% of the PSI portfolio.

**ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG) SCORE
IMPACT ON INVESTMENT LIMITS**

If an issuer's Sustainalytics ESG score is weaker than the median Sustainalytics ESG score of its business sector, investment limits will be subject to the following investment limit reductions:

Score Differential	Percentage Reduction of Investment Limit
≤ 5 points weaker	0%
5 ≤ 10 points weaker	15%
10 ≤ 20 points weaker	30%
> 20 points weaker	50%

**LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual \$)**

Average Investment Balance and Available Cash (1)	\$54,855,027,336
Less:	
▪ 50% of Discretionary Deposits (1)	(\$1,780,447,842)
Average Available Balance	\$53,074,579,494
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	\$39,805,934,621
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	\$13,268,644,874
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	\$26,537,289,747

(1) 24 Month Average from December 2022 to November 2024.

(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s Analytics) or “A-” (S&P Global or Fitch Ratings). The maximum maturity is limited to 30 years.
2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s Analytics rating of “MIG-1” or “A2” or a minimum S&P Global rating of “SP-1” or “A.” Maximum maturity limited to five years.

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 March 31, 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:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$24.423
Schools and Community Colleges	28.108
Discretionary Participants	<u>3.570</u>
Total	\$56.101

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	93.64%
Discretionary Participants:	
Independent Public Agencies	6.23%
County Bond Proceeds and Repayment Funds	<u>0.13%</u>
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 March 11, 2025, 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 April 30, 2026, the March 31, 2026, book value of the Treasury Pool was approximately \$56.101 billion, and the corresponding market value was approximately \$54.898 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 March 31, 2026:

<u>Type of Investment</u>	<u>% of Pool</u>
Certificates of Deposit	3.83
U.S. Government and Agency Obligations	64.88
Bank Acceptances	0.00
Commercial Paper	31.24
Municipal Obligations	0.05
Corporate Notes & Deposit Notes	0.00
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	<u>0.00</u>
	100.00

The Treasury Pool is highly liquid. As of March 31, 2026, approximately 43.87% of the investments mature within 60 days, with an average of 365 days to maturity for the entire portfolio.

