PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 15, 2026

NEW ISSUE - FULL BOOK-ENTRY
BANK QUALIFIED

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A"
See "RATINGS" herein.

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

$5,000,000*
WILLITS UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds, Election of 2020, Series C
(Bank Qualified)

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

Authority and Purpose. The above-captioned General Obligation Bonds, Election of 2020, Series C (the "Bonds") are being issued by the Willits Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on September 10, 2026. The Bonds were authorized at an election of the registered voters of the District held on November 3, 2020, which authorized the issuance of $17,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the third series of bonds to be issued under the 2020 Authorization (as defined herein). See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

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

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

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

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

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Inc.

ASSURED GUARANTY®

MATURITY SCHEDULE
(See inside cover)

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

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall LLP, Bond Counsel to the District, and subject to certain other conditions. Jones Hall LLP is also serving as Disclosure Counsel to the District. Stradling Yocca Carlson & Rauth LLP is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about October 6, 2026.**

STIFEL

The date of this Official Statement is ________, 2026.

Preliminary; subject to change.

MATURITY SCHEDULE*

WILLITS UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds,
Election of 2020, Series C
(Bank Qualified)

Base CUSIP†: 970837

$_________ Serial Bonds

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

$________ ____% Term Bonds maturing August 1, 20__; Yield: ___%; CUSIP†: ___

Preliminary; subject to change.

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

WILLITS UNIFIED SCHOOL DISTRICT
(Mendocino County, California)

DISTRICT ADMINISTRATION

John Baker, *Superintendent*
Melissa Ragsdale, *Director of Fiscal Services*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall LLP
San Mateo, California

UNDERWRITER'S COUNSEL

Stradling Yocca Carlson & Rauth LLP
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

Bond Insurance. Assured Guaranty Inc. ("AG" or the "Bond Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer, supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and in APPENDIX H.

Changes to Offering Prices. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

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

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

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$5,000,000*
WILLITS UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds,
Election of 2020, Series C
(Bank Qualified)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the general obligation bonds captioned above (the **"Bonds"**) by Willits Unified School District (the "**District**").

INTRODUCTION

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

The District. The District was established in 1961 and provides educational services to residents in and around the City of Willits, in Mendocino County (the "**County**"), in the State of California (the "**State**"). The District currently operates three elementary schools, one middle school and two high schools. In addition, within the District's boundaries there are currently three charter schools that are not operated by the District. Enrollment in the District for the 2026-27 school year is projected for approximately 1,550 students, not including charter school enrollment.

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

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction of and improvements to facilities of the District, as approved by voters in the District at an election held on November 3, 2020 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize $17,000,000 of general obligation bonds, and will be issued pursuant to certain provisions of the California Government Code and a resolution adopted by the Board of Trustees of the District on September 10, 2026 (the "**Bond Resolution**"). See "THE BONDS – Authority for Issuance" herein.

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

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* *Preliminary; subject to change.*

Payment and Registration of the Bonds. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Bonds (the "**Beneficial Owners**") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC's book-entry only system ("**DTC Participants**") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

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

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

Following the issuance of the Bonds, there will be $4,000,000* unissued authorization remaining under the 2020 Authorization (as defined herein). See "FINANCIAL INFORMATION - Existing Debt Obligations" in APPENDIX A.

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

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

Bond Insurance. Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (**"AG"** or the **"Bond Insurer"**) will issue its Municipal Bond Insurance Policy for the Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due, as set forth in the form of the Policy included as APPENDIX H to this Official Statement. See "BOND INSURANCE" and APPENDIX H.

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

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* *Preliminary; subject to change.*

interest. See “TAX MATTERS” and Appendix D hereto for the form of Bond Counsel’s opinion to be delivered concurrently with the Bonds.

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

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

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement are available from the Superintendent’s Office at 1277 Blosser Lane, Willits, California 95490, telephone (707) 459-5314, which may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $17,000,000 (the "**2020 Authorization**").

The Bonds are the third series of bonds issued pursuant to the 2020 Authorization. Following the issuance of the Bonds, there will be $4,000,000* unissued authorization remaining under the 2020 Authorization.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by voters in the District on November 3, 2020, the abbreviated text of which appeared on the ballot as follows:

> *"In order to repair aging classrooms and school facilities, fix deteriorating roofs, plumbing, heating/cooling, and electric systems, improve student safety and security, upgrade, acquire, construct, and equip classrooms, labs and facilities supporting college and career readiness, shall the Willits Unified School District measure authorizing $17 million in bonds at legal rates be adopted, with estimated levies of 4 cents per $100 assessed value (approximately $950,000 annually) while bonds are outstanding, audits, and money staying local?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of the ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2020 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be computed based on a 360-day year of twelve 30-day months. 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.

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semi-annually on each February 1 and August 1, commencing February 1, 2027 (each, an **"Interest Payment Date"**). Each Bond will bear

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* *Preliminary; subject to change.*

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 (15th) day of the month preceding such Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2027, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as 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.

Book-Entry Only System

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

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

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

Redemption*

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

Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond will be deemed to consist of individual bonds of $5,000 principal amount. The Bonds may all be separately redeemed.

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* *Preliminary; subject to change.*

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the **"Term Bonds"**), are also subject to mandatory sinking fund redemption on or before August 1 in the years, and in the amounts, as set forth in the following table. The Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payment amounts and on the dates set forth below, without premium, together with interest accrued thereon to the date fixed for redemption.

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption

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

Notice of Redemption

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

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

Partial Redemption of Bonds

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

Effect of Redemption

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, the Bonds called for redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice. The Paying Agent will cancel all Bonds redeemed and will furnish a certificate of cancellation to the District.

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book-entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by 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.

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

Defeasance and Discharge of Bonds

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

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

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

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

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

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

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

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

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

DEBT SERVICE SCHEDULES

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

Willits Unified School District
General Obligation Bonds,
Election of 2020, Series C
Debt Service Schedule

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

Combined General Obligation Bonds. The following table shows the combined annual debt service schedule with respect to all outstanding general obligation bonds of the District secured by *ad valorem* property taxes, assuming no optional redemptions. See APPENDIX A – "FINANCIAL INFORMATION – Existing Debt Obligations" for additional information.

WILLITS UNIFIED SCHOOL DISTRICT
Combined General Obligation Bond Debt Service Schedule

Period Ending August 1	2010 Election Series A Bonds (1)	2010 Election Series B Bonds (1)(2)	2020 Election Series A Bonds	2020 Election Series B Bonds	The Bonds	Aggregate Debt Service
2027	--	$1,254,312.50	$124,900.00	$153,325.00		
2028	$1,195,000.00	--	128,300.00	153,325.00		
2029	1,240,000.00	--	131,500.00	158,325.00		
2030	1,290,000.00	--	134,500.00	168,075.00		
2031	1,345,000.00	--	137,300.00	172,325.00		
2032	1,400,000.00	--	144,900.00	171,325.00		
2033	1,455,000.00	--	147,100.00	180,325.00		
2034	1,515,000.00	--	154,100.00	183,825.00		
2035	1,575,000.00	--	155,700.00	191,987.50		
2036	1,640,000.00	--	162,100.00	194,625.00		
2037	1,705,000.00	--	168,100.00	202,000.00		
2038	1,775,000.00	--	173,700.00	208,850.00		
2039	1,850,000.00	--	173,900.00	215,175.00		
2040	1,925,000.00	--	183,900.00	220,775.00		
2041	2,005,000.00	--	188,300.00	225,825.00		
2042	--	--	190,300.00	235,325.00		
2043	--	--	197,200.00	244,000.00		
2044	--	--	203,900.00	251,850.00		
2045	--	--	210,400.00	258,875.00		
2046	--	--	216,700.00	265,075.00		
2047	--	--	222,800.00	270,450.00		
2048	--	--	228,700.00	280,000.00		
2049	--	--	239,400.00	286,600.00		
2050	--	--	244,800.00	297,600.00		
2051	--	--	--	557,800.00		
2052	--	--	--	577,200.00		
TOTAL	$21,915,000.00	$1,254,312.50	$4,262,500.00	$6,324,862.50		

(1) Bond year ends July 15th.
(2) Issued as qualified school construction bonds. Debt service numbers do not include subsidy payments. See APPENDIX A – "GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – Financial Information – Existing Debt Obligations" for more information regarding Subsidy Payment and Sequestration Reduction.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	
[Net] Original Issue [Premium]/[Discount]	
Total Sources	
Uses of Funds	
Building Fund	
Debt Service 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, bond insurance premium and the rating agency.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within 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 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).

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

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

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

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

Annual Tax Rates. The amount of the annual *ad valorem* property tax levied by the County to repay the Bonds 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.

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

Building Fund

Proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Willits Unified School District Election of 2020, Series C Building Fund" (the "**Building Fund**"). The County Treasurer will maintain separate accounting for the proceeds of the Bonds, including all earnings received from the investment thereof. Amounts credited to the Building Fund for the Bonds will be expended by the District solely for the financing of projects for which the Bond proceeds are authorized to be expended under the 2020 Authorization (which includes related costs of issuance). All interest and other gain arising from the investment of proceeds of the Bonds will be retained in the Building Fund and used for the purposes thereof. At the written request of the District filed with the County Treasurer, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof shall be withdrawn from the Building Fund and transferred to the Debt Service Fund (as defined below), to be applied to pay the principal of and interest on the Bonds.

If excess amounts remain on deposit in the Debt Service Fund after payment in full of the Bonds, any such excess amounts shall be transferred to the general fund of the District, to be applied for the purposes for which the Bonds have been authorized or otherwise.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Willits Unified School District Election of 2020, Series C Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which the County Treasurer shall hold as a separate account, distinct from all other funds of the County and the District. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest 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 term Bonds required to be paid upon the mandatory sinking fund redemption thereof. Amounts in the Debt Service Fund shall 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 shall 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 excess amounts remain on deposit in the Debt Service Fund after payment in full of the Bonds, any such excess shall be transferred 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, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Taxation of State-Assessed Utility Property

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

Assessed Valuation

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

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

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

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

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2016-17	$1,144,195,319	$261,809	$52,286,945	$1,196,744,073	--%
2017-18	1,204,722,581	261,809	44,634,633	1,249,619,023	4.4
2018-19	1,260,746,500	261,809	48,822,208	1,309,830,517	4.8
2019-20	1,286,059,001	313,733	50,868,798	1,337,241,532	2.1
2020-21	1,329,720,656	313,733	46,929,946	1,376,964,335	3.0
2021-22	1,377,910,022	313,733	51,185,957	1,429,409,712	3.8
2022-23	1,467,574,376	313,733	59,955,115	1,527,843,224	6.9
2023-24	1,512,960,244	313,733	64,267,116	1,577,541,093	3.3
2024-25	1,581,477,902	326,610	82,483,093	1,664,287,605	5.5
2025-26	1,623,405,983	326,610	65,502,395	1,689,234,988	1.5

Source: California Municipal Statistics, Inc.

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

Wildfires. According to the State, fire season is starting earlier and ending later each year, with the increased length of the season corresponding to an increase in the extent of forest fires across the State. In addition to destroying land and structures, there have been human fatalities and negative impacts on air quality throughout the State. Fires in the State and neighboring states have threatened the region's power grids, making some power lines unreliable. The Governor has issued executive orders in the past suspending penalties, costs and interest on late property tax payments for properties impacted by wildfires. The District cannot predict or make any representations regarding the effects that wildfires and related conditions have or may have on the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State. According to the California Department of Forestry and Fire Protection, portions of the District, including areas within the City of Willits and unincorporated areas of Mendocino County along the U.S. Highway 101 corridor, are located within a Very High Fire Hazard Severity Zone.

Seismic Events. The District is located in a seismically active region. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy. Certain areas within the District may also be subject to soil liquefaction hazards in the event of a large earthquake, which could cause ground failure and damage to structures and infrastructure within affected areas.

Drought and Flooding. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation, which resulted in related severe flooding and mudslides in certain regions. As of September 8, 2026, the U.S. Drought Monitor indicates that the State is classified as experiencing mostly abnormally dry and moderate drought conditions, with some pockets of severe drought conditions in the northwestern part of the State, with the County currently experiencing abnormally dry, moderate drought and no drought conditions.

During 2021, the Governor of the State proclaimed a drought state of emergency for all counties in the State, culminating with an October 19, 2021, proclamation, urging Californians to step up their water conservation efforts. In January 2022, the State Water Board adopted emergency regulations aimed at saving water and raising drought awareness, with prohibitions focused on reducing outdoor water use, enforceable by local agencies and the State Water Board, generally with warning letters, mandatory water use audits, and fines. In January 2023, the State Water Board adopted its first five-year temporary groundwater recharge permit, in addition to adopting new statewide sanitary sewer orders and appointing eleven members to the Advisory Group on Safe Drinking Water Funding. Local agencies can impose and enforce their own drought conservation rules.

Certain areas of the State, including portions of Mendocino County and the City of Willits, are subject to flood hazards, and FEMA has designated Special Food Hazard Areas within and around the City of Willits along several local waterways. A severe storm event could result in flooding that damages property within the District.

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

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

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

WILLITS UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2025-26

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Willits	$ 578,878,919	34.27%	$578,878,919	100.00%
Unincorporated Mendocino Co.	1,110,356,069	65.73	$11,829,984,136	9.39%
Total District	$1,689,234,988	100.00%		
Mendocino County	$1,689,234,988	100.00%	$15,376,700,305	10.99%

Source: California Municipal Statistics, Inc.

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

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

Non-Residential:	2025-26 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural/Timber/Rural	$132,006,599	8.13%	1,152	10.58%
Commercial	109,407,944	6.74	201	1.85
Vacant Commercial	8,572,101	0.53	156	1.43
Hotel/Motel	14,540,250	0.90	17	0.16
Industrial	44,184,775	2.72	66	0.61
Vacant Industrial	14,315,477	0.88	60	0.55
Recreational	6,196,607	0.38	7	0.06
Government/Social/Institutional	13,528,471	0.83	49	0.45
Miscellaneous	1,504,907	0.09	42	0.39
Subtotal Non-Residential	$344,257,131	21.21%	1,750	16.08%
Residential:				
Single Family Residence	$1,058,271,060	65.19%	4,173	38.33%
Mobile Home	81,002,444	4.99	478	4.39
Mobile Home Park/Trailer Park	13,810,533	0.85	14	0.13
Multi-Family Residential	63,925,079	3.94	166	1.52
Vacant Residential	62,139,736	3.83	4,305	39.55
Subtotal Residential	$1,279,148,852	78.79%	9,136	83.92%
Total	$1,623,405,983	100.00%	10,886	100.00%

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

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

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

	No. of Parcels	2025-26 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	4,173	$1,058,271,060	$253,600	$232,447

2025-26 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	319	7.644%	7.644%	$ 8,704,577	0.823%	0.823%
$50,000 - $99,999	349	8.363	16.008	26,062,969	2.463	3.285
$100,000 - $149,999	503	12.054	28.061	63,246,523	5.976	9.262
$150,000 - $199,999	583	13.971	42.032	101,858,947	9.625	18.887
$200,000 - $249,999	496	11.886	53.918	111,369,445	10.524	29.410
$250,000 - $299,999	496	11.886	65.804	136,567,090	12.905	42.315
$300,000 - $349,999	463	11.095	76.899	150,484,418	14.220	56.535
$350,000 - $399,999	338	8.100	84.999	126,526,951	11.956	68.491
$400,000 - $449,999	232	5.560	90.558	97,892,067	9.250	77.741
$450,000 - $499,999	118	2.828	93.386	55,988,457	5.291	83.032
$500,000 - $549,999	88	2.109	95.495	45,795,831	4.327	87.359
$550,000 - $599,999	65	1.558	97.052	37,436,745	3.538	90.897
$600,000 - $649,999	38	0.911	97.963	23,668,577	2.237	93.133
$650,000 - $699,999	24	0.575	98.538	16,206,024	1.531	94.665
$700,000 - $749,999	11	0.264	98.802	7,964,713	0.753	95.417
$750,000 - $799,999	16	0.383	99.185	12,377,673	1.170	96.587
$800,000 - $849,999	8	0.192	99.377	6,580,664	0.622	97.209
$850,000 - $899,999	8	0.192	99.569	7,039,385	0.665	97.874
$900,000 - $949,999	3	0.072	99.641	2,790,045	0.264	98.138
$950,000 - $999,999	3	0.072	99.712	2,926,759	0.277	98.414
$1,000,000 and greater	12	0.288	100.000	16,783,200	1.586	100.000
	4,173	100.000%		$1,058,271,060	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

Proposition 8 reductions may also be unilaterally applied by the 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 bonds, if any) may be paid.

Tax Rates

Below are historical typical tax rates in the District for fiscal years 2021-22 through 2025-26.

WILLITS UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation
(All Tax Rate Areas Within District)
Fiscal Years 2021-22 through 2025-26

	2021-22	2022-23	2023-24	2024-25	2025-26
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Mendocino Community College District	.0210	.0240	.0200	.0210	.0190
Willits Unified School District	.0640	.0480	.0620	.0630	.0670
Total Tax Rate	$1.0850	$1.0720	$1.0820	$1.0840	$1.0860

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The secured tax levy for payment of the District's general obligation bonds, including the Bonds, is covered under the County's Teeter Plan.

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

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. 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. See "SECURITY FOR THE BONDS."

In the event that the Teeter Plan were terminated with regard to the remainder of the secured tax roll, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District. However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

Notwithstanding the above, the table below shows secured tax charge and delinquency rates for property taxes levied to repay the District's general obligation bonds for fiscal years 2015-16 through 2024-25.

WILLITS UNIFIED SCHOOL DISTRICT
Fiscal Years 2015-16 through 2024-25
Secured Tax Charges and Delinquency Rates

Fiscal Year	Secured Tax Charge[(1)]	Amount Delinquent June 30	Percent Delinquent June 30
2015-16	$550,138.48	$20,247.99	3.68%
2016-17	631,937.18	23,061.49	3.65
2017-18	547,619.75	22,268.63	4.07
2018-19	585,219.54	22,942.89	3.92
2019-20	814,735.24	37,613.82	4.62
2020-21	566,978.68	22,366.35	3.94
2021-22	873,405.50	45,673.97	5.23
2022-23	721,679.52	45,671.05	6.33
2023-24	951,899.92	64,131.13	6.74
2024-25	1,003,666.81	69,272.94	6.90

(1) All taxes collected by the County within the District.
Source: California Municipal Statistics, Inc.

Top 20 Property Owners

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

WILLITS UNIFIED SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2025-26

	Property Owner	Primary Land Use	2025-26 Assessed Valuation	% of Total (1)
1.	Michael Garrity	Apartments	$ 9,204,902	0.57%
2.	Sanhedrin Holdings LLC	Rural	8,202,582	0.51
3.	Senior Housing Associates XVI	Apartments	8,146,582	0.50
4.	Evergreen Village LLC	Shopping Center	7,794,569	0.48
5.	WMP Willits LLC	Industrial	7,516,426	0.46
6.	Willits Mobile Home Park LLC	Mobile Home Park	6,905,475	0.43
7.	Paul Elias Sousa	Rural	5,578,954	0.34
8.	The Vons Companies Inc.	Supermarket	5,380,837	0.33
9.	Redwood Waste Solutions Inc.	Industrial	5,052,593	0.31
10.	Carolyn Stewart	Rural	4,819,908	0.30
11.	Golden Gate Area Council Inc.	Recreational - Camp	4,222,104	0.26
12.	Dipchand T. and Varsha R. Shah, Trustees	Hotel/Motel	4,190,433	0.26
13.	620 Creekside Drive LLC	Apartments	4,127,560	0.25
14.	Mendocino Redwoods RV Resort	RV Park	4,037,711	0.25
15.	Singh Family Properties LP	Shopping Center	3,991,805	0.25
16.	Willits Mini Storage LLC	Public Storage	3,988,974	0.25
17.	Mendocino Community Health Clinic Inc.	Medical Facility	3,524,777	0.22
18.	511 E Valley LLC	Residential	3,511,347	0.22
19.	Gregory Musgrave	Residential	3,507,749	0.22
20.	Robert J. and Janet S. Rodriguez	Hotel/Motel	3,280,774	0.20
			$106,986,062	6.59%

(1) 2025-26 local secured assessed valuation: $1,623,405,983.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

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

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

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

2025-26 Assessed Valuation: $1,689,234,988

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 8/1/26**	
Mendocino Community College District	11.541%	$ 8,713,267	
Willits Unified School District	**100.000**	**11,327,054**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$20,040,321	
OVERLAPPING GENERAL FUND DEBT:			
Mendocino County Certificates of Participation	10.986%	$1,720,408	
Little Lake Fire Protection District Certificates of Participation	100.000	6,215,000	
TOTAL OVERLAPPING GENERAL FUND DEBT		$7,935,408	
COMBINED TOTAL DEBT		**$27,975,729**	(2)

Ratios to 2025-26 Assessed Valuation:
Direct Debt ($11,327,054).. 0.67%
Total Direct and Overlapping Tax and Assessment Debt 1.19%
Combined Total Debt 1.66%

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

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX H for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("**AG**" or the "**Bond Insurer**") will issue its Municipal Bond Insurance Policy (the "**Policy**") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.

- The contingency reserve of AG was approximately $1,569 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE".

TAX MATTERS

Tax Exemption

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

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

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Material Litigation

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

Claims and Lawsuits Against Public School Districts Generally. The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District. The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District, including with respect to Assembly Bill 218 ("**AB 218**"). Enacted in 2020, AB 218 extended the statute of limitations for survivors of childhood sexual assault to file civil claims and introduced a three-year revival window for previously time-barred cases. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. The District cannot predict what types of claims may arise in the future, including but not limited to claims relating to health issues and pandemics, or claims that may be made available by future legislation.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall LLP, as Bond Counsel and Disclosure Counsel to the District, Fieldman, Rolapp & Associates, Inc., as municipal advisor to the District, and Stradling Yocca Carlson & Rauth LLP, as counsel to the Underwriter, are contingent upon issuance of the Bonds.

MUNICIPAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Inc. (the "**Municipal Advisor**"), as municipal advisor in connection with the issuance and sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement or any of the other legal documents and, further, the Municipal Advisor does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

CONTINUING DISCLOSURE

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

In the previous five-years, the District has not failed to materially comply with its existing undertakings. In order to assist it in complying with its undertakings pursuant to the Rule, including the undertaking to be entered into with respect to the Bonds, the District has engaged Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices, to serve as its dissemination agent.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability with respect to the performance of the District's duties regarding continuing disclosure. The County has not reviewed, nor is it responsible for, the content of this Official Statement.

RATINGS

S&P is expected to assign its insured rating of "AA" to the Bonds, based on the understanding that the Bond Insurer will issue and deliver its Policy with respect to the Bonds upon delivery. See "BOND INSURANCE."

In addition, S&P has assigned an underlying rating of "A" to the Bonds. The District has provided certain additional information and materials to S&P, some of which does not appear in this Official Statement to the extent deemed not material for investment purposes. The ratings reflect only the view of S&P, and an explanation of the significance of the ratings and outlook may be obtained only from S&P. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $________ which is equal to the aggregate principal amount of the Bonds of $________, [plus][less] [net] original issue [premium][discount] of $________ less an Underwriter's discount of $________.

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

The Underwriter. The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

WILLITS UNIFIED SCHOOL DISTRICT

By: ______________________________________
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

GENERAL INFORMATION

The District was established in 1961 and provides educational services to residents in and around the City of Willits, in Mendocino County (the "**County**"), in the State of California (the "**State**"). The District currently operates three elementary schools, one middle school and two high schools. In addition, within the District's boundaries there are currently three charter schools that are not operated by the District. Enrollment in the District for the 2026-27 school year is projected for approximately 1,550 students, not including charter school enrollment.

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

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "**Charter School Law**"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and the petition for a charter school's creation approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

Three independent charter schools currently operate within the boundaries of the District, serving a combined enrollment of approximately 332 students in grades K-12 as of the 2025-26 school year.

District Governance and Administration

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

Name	Office	Term Expires
Jeanne King	President	December 2026
Jennifer Sookne	Clerk	December 2026
April Lamprich	Member	December 2028
David Lilker	Member	December 2028
Paula Nunez	Member	December 2026

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. John Baker currently serves as the Superintendent of the District, and Melissa Ragsdale as the Director of Fiscal Services.

Recent Enrollment Trends

The following table shows a recent history and projected enrollment for the District.

ANNUAL ENROLLMENT
Fiscal Years 2020-21 through 2026-27
Willits Unified School District

Fiscal Year	Student Enrollment(1)	% Change
2020-21	1,504	--%
2021-22	1,501	(0.2)
2022-23	1,534	2.2
2023-24	1,546	0.8
2024-25	1,534	(0.8)
2025-26	1,543	0.6
2026-27(2)	1,550	0.5

(1) Not including charter school enrollment.
(2) Projected.
Source: California Department of Education; Willits Unified School District.

Employee Relations

The District has 110 full-time equivalent ("**FTE**") certificated employees, 108 FTE classified employees, and 15 FTE management employees. Two unions represent the District employees as shown in the table below.

Employee Group	Bargaining Group	Contract Expiration Date
Certificated	Willits Teachers' Association	June 30, 2027
Classified	California School Employees' Association	June 30, 2028

Source: *Willits Unified School District.*

FINANCIAL INFORMATION

Education Funding Generally

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

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

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

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

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

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

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

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

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

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

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

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

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

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

District Accounting Practices

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

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's audited financial statements for fiscal year 2024-25 were prepared by Christy White, Inc., San Diego, California, and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Director of Fiscal Services. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement.

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

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2020-21 through 2024-25 (Audited)
Willits Unified School District [(1)]

Revenues	Audited 2020-21	Audited 2021-22	Audited 2022-23	Audited 2023-24	Audited 2024-25
LCFF Sources	$15,916,704	$16,609,447	$18,487,502	$19,695,333	$19,877,406
Federal Revenues	2,863,771	3,166,868	3,210,635	3,495,169	1,999,602
Other State Revenues	2,937,858	3,093,721	5,902,473	3,494,648	5,252,571
Other Local Revenues	1,715,217	1,787,836	1,672,030	2,761,914	3,050,651
Total Revenues	23,433,550	24,657,872	29,272,640	29,447,064	30,180,230
Expenditures					
Instruction	12,171,184	13,680,112	14,893,579	17,930,456	18,452,195
Instruction-Related Activities:					
Supervision of Instruction	386,158	610,284	1,008,290	1,123,544	1,043,651
Instructional Library, Media, Tech	119,412	264,315	271,981	331,885	304,978
School Site Administration	1,681,037	1,797,992	1,947,659	2,142,246	2,109,788
Pupil Services:					
Home-to-School Transport	647,946	620,453	960,009	1,109,013	1,188,483
Food services	9,334	20,834	12,376	36,273	281,931
All Other Pupil Services	1,045,103	1,398,657	1,366,479	1,872,615	1,988,612
General Administration:					
Centralized Data Processing	321,772	474,650	691,138	610,564	554,039
All Other General Administration	1,241,707	1,213,475	1,502,122	1,615,552	1,844,958
Plant Services	2,860,762	2,805,717	3,178,966	3,267,517	3,602,141
Facility Acquisition and Construction	218,612	185,063	426,961	218,035	255,907
Ancillary services	115,851	270,906	264,309	293,227	316,022
Transfers to other agencies	428,048	150,059	98,995	40,427	54,950
Debt Service: Principal	--	--	--	--	--
Debt Service: Interest	--	--	--	--	--
Total Expenditures	21,246,926	23,492,517	26,622,864	30,591,354	31,997,655
Excess of Revenues Over/(Under) Expenditures	2,186,624	1,165,355	2,649,776	(1,144,290)	(1,817,425)
Other Financing Sources (Uses)					
Operating Transfers in	200,000	--	--	--	--
Operating Transfers out	(351,695)	--	--	--	--
Other Sources	--	--	--	--	--
Total Other Financing Sources (Uses)	(151,695)	--	--	--	--
Net Change in Fund Balance	2,034,929	1,165,355	2,649,776	(1,144,290)	(1,817,425)
Fund Balance, July 1	4,231,088	6,266,017	7,431,373	10,081,149	8,936,859
Fund Balance, June 30	$6,266,017	$7,431,372	$10,081,149	$8,936,859	$7,119,434

(1) Figures may not sum to totals due to rounding.
Source: Willits Unified School District Audit Reports.

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 Mendocino County Superintendent of Schools (the **"County Superintendent"**).

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

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

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

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

District's Budget and Interim Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports, except for its fiscal year 2024-25 first interim report and its fiscal year 2025-26 first interim report, both of which were certified as qualified. The District received a positive certification on its most recent interim report, its fiscal year 2025-26 second interim.

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

WILLITS UNIFIED SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2025-26 (Unaudited Actuals)
Fiscal Year 2026-27 (Budgeted)

Revenues	**Unaudited Actuals 2025-26**	**Budgeted 2026-27**
Total LCFF Sources	$19,986,504	$20,748,974
Federal Revenues	1,574,046	1,332,594
Other state revenues	4,976,666	4,132,542
Other local revenues	3,115,967	2,675,438
Total Revenues	29,653,183	28,889,548
Expenditures		
Certificated Salaries	11,431,603	11,437,846
Classified Salaries	6,317,509	6,013,308
Employee Benefits	8,218,049	8,355,565
Books and Supplies	1,301,065	1,044,899
Services and Other Operating Expenditures	4,899,593	3,085,730
Capital Outlay	88,116	5,000
Other Outgo (excluding transfers of indirect costs)	26,716	--
Other Outgo	--	--
Total Expenditures	32,282,650	29,942,348
Excess of Revenues Over/(Under) Expenditures	(2,629,467)	(1,052,800)
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	--	--
Total Other Financing Sources (Uses)	--	--
Net change in fund balance	(2,629,467)	(1,052,800)
Fund Balance, July 1	6,911,684	4,282,217
Fund Balance, June 30 (1)	$4,282,217	$3,229,417

(1) Fund balances do not reflect all funds included in the District's general fund in the audited financial statements shown above.
Source: Willits Unified School District.

District's Budget Stabilization Plan. The District is developing a stabilization plan intended to address a projected budget deficit, which is expected to include measures related to increased reporting of unduplicated pupil counts to capture additional funding, reduced overtime costs in athletic transportation, and reductions in classified and certificated staffing, among other measures. The District expects the Board to consider and adopt the plan in connection with the District's 2026-27 First Interim Budget report in December 2026.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District has an informal reserve policy of 17% of expenditures, though such policy has not been adopted by the Board.

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

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

Attendance - LCFF Funding

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

WILLITS UNIFIED SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2020-21 through 2026-27

Fiscal Year	ADA	LCFF Funding Per ADA
2020-21	1,455	$10,940
2021-22	1,264	13,139
2022-23	1,340	13,800
2023-24	1,387	14,196
2024-25	1,366	14,548
2025-26(1)	1,341	14,904
2026-27(2)	1,341	15,473

(1) Unaudited actuals.
(2) Budgeted.
Source: California Department of Education for fiscal years 2020-21 through 2024-25; Willits Unified School District for fiscal years 2025-26 through 2026-27.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 61% for purposes of calculating supplemental and concentration grant funding under LCFF. Recent federal deportation efforts may pose a risk to school districts relying on revenue from the LCFF. With the exception of community supported districts, school districts rely heavily on student attendance and enrollment, including Supplemental and Concentration Grant add-ons for serving a high percentage of English language learner and low income students. If undocumented students, or students who have parents or caretakers that are undocumented or have been granted temporary status, face deportation, districts may experience a decrease in student enrollment or ADA. The District cannot predict potential changes to enrollment or attendance in response to such deportation efforts.

Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(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.

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts that were Basic Aid prior to implementation of the LCFF, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement, provided that the per-pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues. The threshold for Community Supported status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. The District is not a Community Supported District. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

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

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

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

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

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

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

District Retirement Systems

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

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

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

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

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

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

Source: STRS.

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

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

STRS CONTRIBUTIONS
Willits Unified School District
Fiscal Years 2020-21 through 2026-27

Fiscal Year	Amount
2020-21	$1,035,251
2021-22	1,169,540
2022-23	1,573,012
2023-24	1,800,767
2024-25	1,865,408
2025-26(1)	2,863,803
2026-27(2)	3,081,8653,083,279

(1) Unaudited actual.
(2) Budgeted.
Source: Willits Unified School District.

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

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

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

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

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

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

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

PERS EMPLOYER CONTRIBUTIONS
Willits Unified School District
Fiscal Years 2020-21 through 2026-27

Fiscal Year	Amount
2020-21	$807,124
2021-22	975,623
2022-23	1,456,314
2023-24	1,923,179
2024-25	2,028,644
2025-26[1]	1,854,225
2026-27[2]	1,785,555

(1) Unaudited actual.
(2) Budgeted.
Source: Willits Unified School District.

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

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

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

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

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

Additional Information - STRS and PERS. Additional information regarding the District's retirement programs is available in Note 10 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

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

Other Post-Employment Retirement Benefits

The Plan Generally. The District's post-employment other than pension plan ("**OPEB**"), Willits Unified School District Retiree Benefit Plan (the "**Plan**") is described below. The Plan is a single employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The eligibility requirements and benefits provided by the Plan are as follows:

	Hired before 7/1/02*	**Hired 7/1/02 to 6/30/14**	**Hired after 6/30/14**
Benefit Types Provided	Medical only	Medical only	Medical only
Duration of Benefits	7 years	1 year for each 4 years of service	1 year for each 5 years of service, until age 65
Required Service	7 years	12 years	12 years
Minimum Age	55	55	61
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100% to cap	100% to cap	100% to cap
District Cap	Active cap	Active cap	Active cap

* Those retiring prior to 7/1/2019 may choose the better of the first two tiers above.
Source: Willits Unified School District.

As of the June 30, 2024 valuation date, the Plan had 8 retirees receiving benefits and 115 active plan members.

Contributions. For the measurement period, the District contributed $80,086 to the Plan, all of which was used for current premiums on a pay-as-you-go basis. There is no actuarially determined contribution, nor any contribution requirement established by statute or contract. The District's contribution is currently based on a projected pay as-you-go funding method, that is, benefits are payable when due.

Actuarial Assumptions. The District's total OPEB liability of $667,086 determined by an actuarial valuation as of June 30, 2024 and was measured as of the same date using following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.50%, salary increases 2.75%, discount rate 5.20%, and a healthcare cost trend rate of 4.00%. Mortality rates for certificated employees were based on the 2020 CalSTRS mortality and retirement rates for certificated employees were based on the 2020 CalSTRS retirement rates tables.

The actuarial assumptions used in the June 30, 2024, valuation were based on a review of plan experience. The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed twenty-two years.

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
Willits Unified School District

Service cost	$59,223
Interest	28,440
Changes of assumptions	(74,599)
Benefit payments	(80,086)
Net change in total OPEB liability	(67,022)
Total OPEB liability-beginning	734,108
Total OPEB liability-ending	$667,086

Source: Willits Unified School District.

OPEB Expense. For the year ended June 30, 2025, the District recognized OPEB expense of $979.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 9 of APPENDIX B to the Official Statement.

Insurance – Joint Powers Agreement

The District participates in three joint powers agreements ("**JPA**") entities: the Northern California School Insurance Group, the School Excess Liability Fund and the Schools Insurance Group Northern Alliance. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage.

Each JPA is governed by a board consisting of a representative from each member school agency. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member district's share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes. Financial statements are available directly from the JPAs.

Disclaimer Regarding Cyber Risks

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

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

Existing Debt Obligations

General Obligation Bonds. Prior to the issuance of the Bonds, the District has four outstanding issues of general obligation bonds secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds.

The District received authorization at an election held on June 8, 2010, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed $43,000,000 (the "**2010 Authorization**"). On July 22, 2010, the District issued its General Obligation Bonds, Election of 2010, Series A in the aggregate principal amount of $3,787,053.95 (the "**2010 A Bonds**") and its Taxable Direct-Pay Qualified School Construction General Obligation Bonds, Election of 2010, Series B in the aggregate principal amount of $10,015,000 (the "**2010 B Bonds**") as well as its Taxable General Obligation Bonds, Election of 2010, Series B (Non-Subsidy) in the aggregate principal amount of $105,000 (the "**2010 Non-Subsidy Bonds**"). The 2010 A Bonds were issued as capital appreciation bonds, mature in 2041, and are currently outstanding in the aggregate principal amount of $3,787,053.95. The 2010 B Bonds were issued as current interest bonds, mature in 2027, and are currently outstanding in the principal amount of $1,175,000. The 2010 Non-Subsidy Bonds matured in 2012. There is currently $29,092,946.05 unissued authorization remaining under the 2010 Authorization.

The 2010 B Bonds were designated as federally-taxable "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Section 6431(f)(3)(B) of the Internal Revenue Code apply thereto. As a result, the District expects to receive, on or about each interest payment date, a cash subsidy (the "**Subsidy Payment**") from the United States Treasury (the "**Treasury**") equal to the lesser of (a) the interest payable on such 2010 B Bonds or (b) the amount of interest that would have been payable on each such interest payment date if such interest were determined at a federally-determined tax credit rate on the date of the sale of the 2010 B Bonds. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the American Recovery and Reinvestment Act of 2009. The Subsidy Payments are subject to reduction (the "**Sequestration Reduction**") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 5.7% for the current federal fiscal year ending September 30, 2021 through the federal fiscal year ending September 30, 2030. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the Sequestration Reduction rate is subject to change. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. In addition, the Statutory Pay-As-You-Go Act of 2010 could result in further sequestration ("**PAYGO Sequestration**") of subsidy payments under rules that provide for an across-the-board sequester of non-exempt mandatory spending programs if lawmakers enact net deficit-increasing legislation. Due to the federal deficit increase resulting from the American Rescue Plan Act of 2021, the Congressional Budget Office estimated that, without action by Congress to waive or postpone such reductions, these interest subsidy payments could be subject to elimination entirely for a period. A provision in the Consolidated

Appropriations Act, 2023, which was signed into law on December 29, 2022, temporarily avoided PAYGO Sequestration by shifting certain sequestration totals from the federal fiscal year 2023 and 2024 scorecards to the federal fiscal year 2025 scorecard. However, notwithstanding any such reduction, the County Board of Supervisors is empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on the 2010 B Bonds. The District has covenanted to deposit the Subsidy Payments with the County to be credited to the debt service fund for the 2010 B Bonds.

On November 3, 2020, the District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $17,000,000 (the "**2020 Authorization**"). On January 28, 2021, the District issued an initial series of bonds pursuant to the 2020 Authorization in the aggregate principal amount of $4,000,000. On August 10, 2023, the District issued a second series of bonds pursuant to the 2020 Authorization in the aggregate principal amount of $4,000,000. The Bonds described herein are the third series of bonds issued pursuant to the 2020 Authorization. Following the issuance of the Bonds, there will be $4,000,000* unissued authorization remaining under the 2020 Authorization. See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the remaining debt service due on the District's outstanding general obligation bonds.

Compensated Absences. Compensated absences (unpaid employee vacation) for the District at June 30, 2025, amounted to $2,095,923.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

* *Preliminary; subject to change.*

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 Funding of Education Generally

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

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

The State Budget Process

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

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

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

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

Resources Relating to State Budgets

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

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

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

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

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

The 2026-27 State Budget

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

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

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

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

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

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

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

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

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

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

Proposition 98 Minimum Guarantee. The 2026-27 State Budget reflects updated estimates of General Fund revenues, which result in adjustments to the Proposition 98 minimum guarantee. The revised minimum guarantee for TK-14 schools is estimated at $124.9 billion for fiscal year 2024-25, $125.3 billion for fiscal year 2025-26, and $128.1 billion for fiscal year 2026-27, an increase of approximately $29.2 billion over the three-year period relative to the 2024-25 Budget Act. The minimum guarantee remains in a "Test 1" for all three years, meaning it equals roughly 40% of General Fund revenues plus local property tax revenues, without adjustment for enrollment declines. The Proposition 98 calculation also requires an $8.3 billion maintenance factor payment in fiscal year 2024-25, fully retiring the Proposition 98 maintenance factor balance. The 2026-27 State Budget maintains a $3.9 billion settle-up amount in fiscal year 2025-26 to be repaid to TK-14 schools in the future fiscal year 2026-27 Budget Act if fiscal year 2025-26 revenues hold at current levels, and fully pays the $1.9 billion settle-up owed for fiscal year 2024-25.

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

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

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

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

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

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

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

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

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

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

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

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

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

Disclaimer Regarding State Budgets

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

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

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

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

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

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

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

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

Proposition 30 and Proposition 55

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

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

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

Proposition 2

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

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

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

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

Proposition 19

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

Proposition 2 (2024)

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

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

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

Future Initiatives

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

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APPENDIX B

WILLITS UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2024-25

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WILLITS UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2025

WILLITS UNIFIED SCHOOL DISTRICT
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Willits Unified School District
Willits, 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 Willits Unified School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Willits Unified School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Willits Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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Responsibilities of Management for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2026 on our consideration of the Willits Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Willits Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willits Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 14, 2026

INTRODUCTION

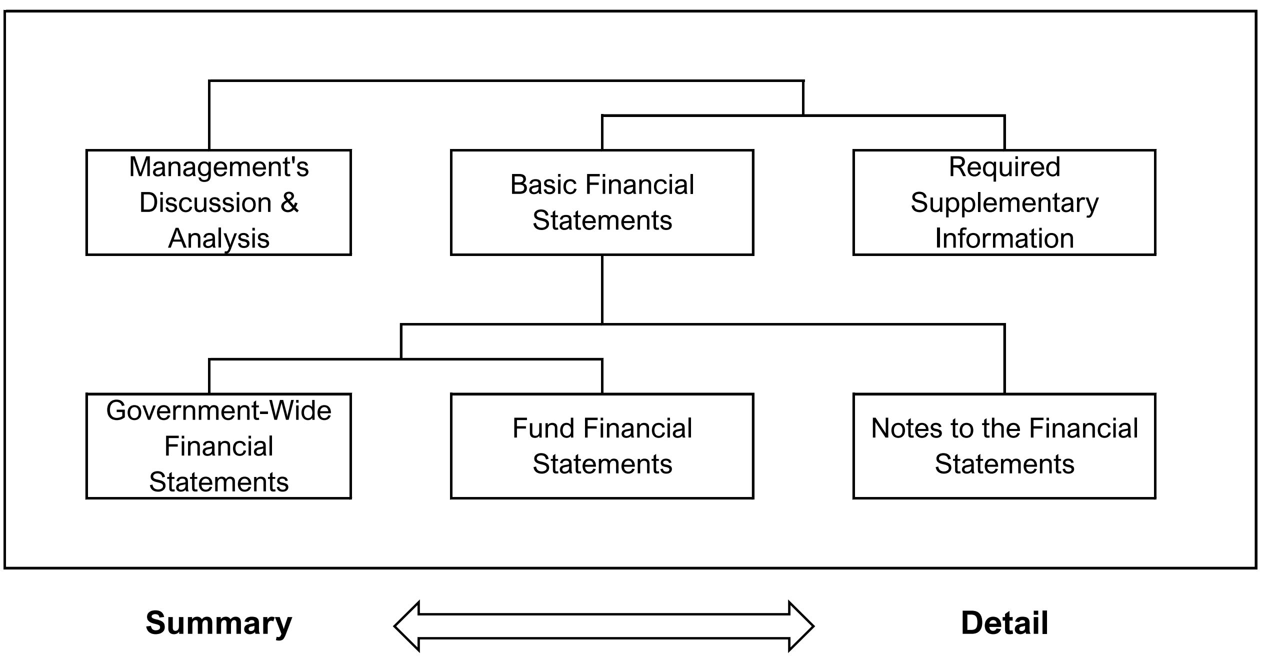
Our discussion and analysis of Willits Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was $(7,095,012) at June 30, 2025. This was a decrease of $2,010,455 from the prior year, after restatement.
- Overall revenues were $33,075,045, which were exceeded by expenses of $35,085,500.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

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

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

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

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

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $(7,095,012) at June 30, 2025, as reflected in the table below. Of this amount, $(20,678,768) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2025	**2024**	**Net Change**
ASSETS			
Current and other assets	$ 16,291,118	$ 18,594,753	$ (2,303,635)
Capital assets	18,746,633	18,504,881	241,752
Total Assets	35,037,751	37,099,634	(2,061,883)
DEFERRED OUTFLOWS OF RESOURCES	11,136,769	9,909,853	1,226,916
LIABILITIES			
Current liabilities	5,615,922	4,286,231	1,329,691
Long-term liabilities	45,340,773	43,922,668	1,418,105
Total Liabilities	50,956,695	48,208,899	2,747,796
DEFERRED INFLOWS OF RESOURCES	2,312,837	1,980,289	332,548
NET POSITION			
Net investment in capital assets	6,134,707	6,043,355	91,352
Restricted	7,449,049	8,212,541	(763,492)
Unrestricted	(20,678,768)	(17,435,597)	(3,243,171)
Total Net Position	$ (7,095,012)	$ (3,179,701)	$ (3,915,311)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2025	2024	Net Change
REVENUES			
Program revenues			
Charges for services	$ 449,599	$ 555,956	$ (106,357)
Operating grants and contributions	9,429,247	9,680,866	(251,619)
General revenues			
Property taxes	9,199,101	8,793,469	405,632
Unrestricted federal and state aid	12,846,787	13,051,472	(204,685)
Other	1,150,311	499,364	650,947
Total Revenues	33,075,045	32,581,127	493,918
EXPENSES			
Instruction	17,380,996	17,187,783	193,213
Instruction-related services	3,235,723	3,507,061	(271,338)
Pupil services	5,084,367	4,733,171	351,196
General administration	2,381,366	2,148,825	232,541
Plant services	3,547,976	3,652,342	(104,366)
Ancillary services	398,315	385,164	13,151
Debt service	1,100,843	890,570	210,273
Other outgo	54,950	287,114	(232,164)
Depreciation	1,900,964	1,581,749	319,215
Total Expenses	35,085,500	34,373,779	711,721
Change in net position	(2,010,455)	(1,792,652)	(217,803)
Net Position - Beginning, as Restated*	(5,084,557)	(1,387,049)	(3,697,508)
Net Position - Ending	$ (7,095,012)	$ (3,179,701)	$ (3,915,311)

**Beginning net position was restated for the 2025 year only.*

The cost of all our governmental activities this year was $35,085,500. The amount that our taxpayers ultimately financed for these activities through taxes was $9,199,101, primarily because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The net cost of services provided for the year ended June 30, 2025 was $25,206,654.

	Net Cost of Services	
	2025	2024
Instruction	$ 11,776,325	$ 10,975,005
Instruction-related services	2,743,982	2,578,848
Pupil services	1,854,402	2,174,183
General administration	2,327,848	1,943,823
Plant services	3,144,767	3,419,281
Ancillary services	302,573	286,384
Debt service	1,100,843	890,570
Transfers to other agencies	54,950	287,114
Depreciation	1,900,964	1,581,749
Total	$ 25,206,654	$ 24,136,957

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $11,800,999, which is less than last year's ending fund balance of $14,992,182. The District's General Fund had $1,817,425 less in operating revenues than expenditures for the year ended June 30, 2025. The District's Building Fund had $1,444,896 less in operating revenues than expenditures for the year ended June 30, 2025. The District's Bond Interest and Redemption Fund had $42,216 more in operating revenues than expenditures for the year ended June 30, 2025.

CURRENT YEAR BUDGET 2024-2025

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

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2024-2025 the District had invested $18,746,633 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2025	2024	Net Change
CAPITAL ASSETS			
Land	$ 533,782	$ 533,782	$ -
Construction in progress	10,000	412,896	(402,896)
Buildings & improvements	41,015,028	39,926,934	1,088,094
Furniture & equipment	5,045,414	3,587,896	1,457,518
Less: Accumulated depreciation	(27,857,591)	(25,956,627)	(1,900,964)
Total	$ 18,746,633	$ 18,504,881	$ 241,752

Long-Term Liabilities

At year-end, the District had $45,340,773 in long-term liabilities, a decrease of 1 percent, after restatement, as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	2025	2024	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 21,645,109	$ 22,231,921	$ (586,812)
Compensated absences*	2,095,923	1,999,579	96,344
Total OPEB liability	667,086	734,108	(67,022)
Net pension liability	22,714,526	22,156,412	558,114
Less: current portion of long-term liabilities	(1,781,871)	(1,294,496)	(487,375)
Total	$ 45,340,773	$ 45,827,524	$ (486,751)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Long-Term Declining Enrollment

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Revenue Uncertainties

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

Pension Liabilities and Employer Rates

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

Economic and Market Conditions

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

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

Summary

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office at (707) 459-5314 or by mail at 1277 Blosser Lane; Willits, CA 95490.

WILLITS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 14,567,900
Accounts receivable	1,652,271
Inventory	29,842
Prepaid expenses	41,105
Capital assets:	
Capital assets, not depreciated	543,782
Capital assets, net of accumulated depreciation	18,202,851
Total Assets	35,037,751
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	11,108,399
Deferred outflows related to OPEB	28,370
Total Deferred Outflows of Resources	11,136,769
LIABILITIES	
Accrued liabilities	3,518,742
Unearned revenue	315,309
Long-term liabilities, current portion	1,781,871
Long-term liabilities, non-current portion	45,340,773
Total Liabilities	50,956,695
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,388,217
Deferred inflows related to OPEB	924,620
Total Deferred Inflows of Resources	2,312,837
NET POSITION	
Net investment in capital assets	6,134,707
Restricted:	
Debt service	1,532,491
Educational programs	5,274,107
Food service	527,593
Associated student body	114,858
Unrestricted	(20,678,768)
Total Net Position	$ (7,095,012)

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

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

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
GOVERNMENTAL ACTIVITIES				
Instruction	$ 17,380,996	$ 404,545	$ 5,200,126	$ (11,776,325)
Instruction-related services				
Instructional supervision and administration	959,724	19,018	389,212	(551,494)
Instructional library, media, and technology	288,185	-	308	(287,877)
School site administration	1,987,814	280	82,923	(1,904,611)
Pupil services				
Home-to-school transportation	1,200,408	-	15,982	(1,184,426)
Food services	2,004,217	-	1,634,048	(370,169)
All other pupil services	1,879,742	25,756	1,554,179	(299,807)
General administration				
Centralized data processing	557,819	-	4,583	(553,236)
All other general administration	1,823,547	-	48,935	(1,774,612)
Plant services	3,547,976	-	403,209	(3,144,767)
Ancillary services	398,315	-	95,742	(302,573)
Interest on long-term debt	1,100,843	-	-	(1,100,843)
Other outgo	54,950	-	-	(54,950)
Depreciation (unallocated)	1,900,964	-	-	(1,900,964)
Total Governmental Activities	$ 35,085,500	$ 449,599	$ 9,429,247	(25,206,654)
	General revenues			
	Taxes and subventions			
	Property taxes, levied for general purposes			7,476,018
	Property taxes, levied for debt service			1,723,083
	Federal and state aid not restricted for specific purposes			12,846,787
	Interest and investment earnings			532,373
	Miscellaneous			617,938
	Subtotal, General Revenue			23,196,199
	CHANGE IN NET POSITION			(2,010,455)
	Net Position - Beginning, as Restated			(5,084,557)
	Net Position - Ending			$ (7,095,012)

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

WILLITS UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 8,131,555	$ 3,500,799	$ 1,670,477	$ 485,453	$ 13,788,284
Accounts receivable	1,410,793	-	-	241,478	1,652,271
Stores inventory	-	-	-	29,842	29,842
Prepaid expenditures	26,467	-	-	-	26,467
Total Assets	$ 9,568,815	$ 3,500,799	$ 1,670,477	$ 756,773	$ 15,496,864
LIABILITIES					
Accrued liabilities	$ 2,134,072	$ 1,209,526	$ -	$ 36,958	$ 3,380,556
Unearned revenue	315,309	-	-	-	315,309
Total Liabilities	2,449,381	1,209,526	-	36,958	3,695,865
FUND BALANCES					
Nonspendable	28,967	-	-	29,842	58,809
Restricted	5,226,585	2,291,273	1,670,477	689,973	9,878,308
Unassigned	1,863,882	-	-	-	1,863,882
Total Fund Balances	7,119,434	2,291,273	1,670,477	719,815	11,800,999
Total Liabilities and Fund Balances	$ 9,568,815	$ 3,500,799	$ 1,670,477	$ 756,773	$ 15,496,864

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

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

Total Fund Balance - Governmental Funds		$ 11,800,999
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 46,604,224	
Accumulated depreciation	(27,857,591)	18,746,633
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(137,986)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 21,645,109	
Compensated absences	2,095,923	
Total OPEB liability	667,086	
Net pension liability	22,714,526	(47,122,644)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 11,108,399	
Deferred inflows of resources related to pensions	(1,388,217)	9,720,182
Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 28,370	
Deferred inflows of resources related to OPEB	(924,620)	(896,250)
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		794,054
Total Net Position - Governmental Activities		$ (7,095,012)

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

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 19,877,406	$ -	$ -	$ -	$ 19,877,406
Federal sources	1,999,602	-	-	1,198,648	3,198,250
Other state sources	5,252,571	-	8,557	566,024	5,827,152
Other local sources	3,050,651	363,888	1,730,561	269,631	5,414,731
Total Revenues	30,180,230	363,888	1,739,118	2,034,303	34,317,539
EXPENDITURES					
Current					
Instruction	18,452,195	-	-	194,759	18,646,954
Instruction-related services					
Instructional supervision and administration	1,043,651	-	-	-	1,043,651
Instructional library, media, and technology	304,978	-	-	-	304,978
School site administration	2,109,788	-	-	3,815	2,113,603
Pupil services					
Home-to-school transportation	1,188,483	-	-	-	1,188,483
Food services	281,931	-	-	1,711,249	1,993,180
All other pupil services	1,988,612	-	-	4,987	1,993,599
General administration					
Centralized data processing	554,039	-	-	-	554,039
All other general administration	1,844,958	-	-	-	1,844,958
Plant services	3,602,141	110,387	-	-	3,712,528
Facilities acquisition and construction	255,907	1,698,397	-	-	1,954,304
Ancillary services	316,022	-	-	90,571	406,593
Transfers to other agencies	54,950	-	-	-	54,950
Debt service					
Principal	-	-	1,265,000	-	1,265,000
Interest and other	-	-	431,902	-	431,902
Total Expenditures	31,997,655	1,808,784	1,696,902	2,005,381	37,508,722
NET CHANGE IN FUND BALANCE	(1,817,425)	(1,444,896)	42,216	28,922	(3,191,183)
Fund Balance - Beginning	8,936,859	3,736,169	1,628,261	690,893	14,992,182
Fund Balance - Ending	$ 7,119,434	$ 2,291,273	$ 1,670,477	$ 719,815	$ 11,800,999

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

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

Net Change in Fund Balances - Governmental Funds			$	(3,191,183)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:				
Capital outlay:				
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:				
Expenditures for capital outlay:	$	2,142,716		
Depreciation expense:		(1,900,964)		241,752
Debt service:				
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:				1,265,000
Unmatured interest on long-term debt:				
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:				9,247
Accreted interest on long-term debt:				
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.				(707,684)
Compensated absences:				
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:				(96,344)
Postemployment benefits other than pensions (OPEB):				
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:				79,107

(continued on next page)

Pensions:		
In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		324,169
Amortization of debt issuance premium or discount:		
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:		29,496
Internal Service Funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		35,985
Change in Net Position of Governmental Activities	$	(2,010,455)

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

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

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and investments	$ 779,616
Prepaid expenses	14,638
Total current assets	794,254
Total Assets	794,254
LIABILITIES	
Current liabilities	
Accrued liabilities	200
Total current liabilities	200
Total Liabilities	200
NET POSITION	
Unrestricted	794,054
Total Net Position	$ 794,054

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

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

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 191,930
Total operating revenues	191,930
OPERATING EXPENSES	
Professional services	172,359
Total operating expenses	172,359
Operating income/(loss)	19,571
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	16,414
Total non-operating revenues/(expenses)	16,414
CHANGE IN NET POSITION	35,985
Net Position - Beginning	758,069
Net Position - Ending	$ 794,054

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

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

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash received from user charges	$ 191,930
Cash received (paid) from assessments made to (from) other funds	211,327
Cash payments for payroll, insurance, and operating costs	(187,112)
Net cash provided by (used for) operating activities	216,145
Cash flows from investing activities	
Interest received	16,414
Net cash provided by (used for) investing activities	16,414
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	232,559
CASH AND CASH EQUIVALENTS	
Beginning of year	547,057
End of year	$ 779,616
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income/(loss)	$ 19,571
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	226
(Increase) decrease in due from other funds	211,101
(Increase) decrease in prepaid expenses	(14,638)
Increase (decrease) in accrued liabilities	(115)
Net cash provided by (used for) operating activities	$ 216,145

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

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

C. Basis of Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections* 52616[b] and 52501.5[a]).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 *et seq*.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

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

Proprietary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

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

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

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

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

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $100,000 for buildings and $20,000 for equipment. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Asset Class	Estimated Useful Life
Buildings and Improvements	25-50 years
Furniture and Equipment	5-15 years
Vehicles	8 years

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 - June 30, 2025

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Pensions

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

Fund Balance

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities
Investment in county treasury	$ 13,274,875	$ 775,043	$ 14,049,918
Fair value adjustment	68,469	4,573	73,042
Cash on hand and in banks	442,440	-	442,440
Cash in revolving fund	2,500	-	2,500
Total	$ 13,788,284	$ 779,616	$ 14,567,900

B. Policies and Practices

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with an amortized book value of $14,049,918 and a fair value of approximately $14,122,960. The average weighted maturity for this pool is 456 days.

E. Credit Risk

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

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

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

G. Fair Value

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

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

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

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

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

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

	Uncategorized
Investment in county treasury	$ 14,122,960
Total	$ 14,122,960

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	$ 105,133	$ 165,674	$ 270,807
State Government			
Apportionment	393,183	-	393,183
Categorical aid	689,458	75,804	765,262
Lottery	202,477	-	202,477
Local Government			
Other local sources	20,542	-	20,542
Total	$ 1,410,793	$ 241,478	$ 1,652,271

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated				
Land	$ 533,782	$ -	$ -	$ 533,782
Construction in progress	412,896	10,000	412,896	10,000
Total capital assets not being depreciated	946,678	10,000	412,896	543,782
Capital assets being depreciated				
Buildings & improvements	39,926,934	1,088,094	-	41,015,028
Furniture & equipment	3,587,896	1,457,518	-	5,045,414
Total capital assets being depreciated	43,514,830	2,545,612	-	46,060,442
Less: Accumulated depreciation				
Buildings & improvements	24,198,140	1,491,313	-	25,689,453
Furniture & equipment	1,758,487	409,651	-	2,168,138
Total accumulated depreciation	25,956,627	1,900,964	-	27,857,591
Total capital assets being depreciated, net	17,558,203	644,648	-	18,202,851
Governmental Activities Capital Assets, net	$ 18,504,881	$ 654,648	$ 412,896	$ 18,746,633

NOTE 5 – ACCRUED LIABILITIES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	District-Wide	Governmental Activities
Payroll	$ 689,683	$ -	$ 8,203	$ -	$ -	$ 697,886
Construction	-	314,500	-	-	-	314,500
Vendors payable	523,621	895,026	28,755	200	-	1,447,602
Unmatured interest	-	-	-	-	137,986	137,986
Due to grantor government	920,768	-	-	-	-	920,768
Total	$ 2,134,072	$ 1,209,526	$ 36,958	$ 200	$ 137,986	$ 3,518,742

NOTE 6 – UNEARNED REVENUE

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

	General Fund
Federal sources	$ 51,747
State categorical sources	263,562
Total	$ 315,309

NOTE 7 – LONG-TERM LIABILITIES

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

	Restated Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 15,542,054	$ -	$ 1,265,000	$ 14,277,054	$ 1,430,000
Unamortized premium	655,641	-	29,496	626,145	29,496
Accreted interest	6,034,226	707,684	-	6,741,910	-
Total general obligation bonds	22,231,921	707,684	1,294,496	21,645,109	1,459,496
Compensated absences*	1,999,579	96,344	-	2,095,923	322,375
Total OPEB liability	734,108	-	67,022	667,086	-
Net pension liability	22,156,412	558,114	-	22,714,526	-
Total	$ 47,122,020	$ 1,362,142	$ 1,361,518	$ 47,122,644	$ 1,781,871

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

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

NOTE 7 – LONG-TERM LIABILITIES (continued)

A. Compensated Absences

The restated beginning compensated absences balance was $1,999,579 and increased by a net amount of $96,344 during the year ended June 30, 2025. The ending compensated absences at June 30, 2025 amounted to $2,095,923. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

The District's general obligation bonds as of June 30, 2025 consisted of the following:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2024	Additions	Deductions	Bonds Outstanding June 30, 2025
7/14/2010	7/15/2041	6.31 - 12.00%	$ 3,787,054	$ 3,787,054	$ -	$ -	$ 3,787,054
7/14/2010	7/15/2027	2.75 - 6.75%	10,120,000	4,345,000	-	1,000,000	3,345,000
1/14/2021	8/1/2050	2.00 - 4.00%	4,000,000	3,410,000	-	265,000	3,145,000
7/27/2023	8/1/2052	4.00 - 5.50%	4,000,000	4,000,000	-	-	4,000,000
Total				$ 15,542,054	$ -	$ 1,265,000	$ 14,277,054

On July 14, 2010, the District issued the first three series of bonds to be issued under the authorization in the aggregate principal amount of $13,877,054. The District issued Series A Bonds in the aggregate principal amount of $3,787,054 and Series B Bonds in the aggregate principal amount of $10,120,000.

On January 14, 2021, the District issued $4,000,000 of General Obligation Election of 2020 Series A Bonds to finance the renovation, construction and improvement of school facilities of the District.

On July 27, 2023, the District issued $4,000,000 of General Obligation Election of 2020 Series B Bonds to finance the renovation, construction and improvement of school facilities of the District.

NOTE 7 – LONG-TERM LIABILITIES (continued)

B. General Obligation Bonds (continued)

The annual requirements to amortize the 2010 Series A Bonds outstanding as of June 30, 2025, are as follows:

Year Ended June 30,	Principal*	Interest	Total
2026	$ -	$ -	$ -
2027	-	-	-
2028	-	-	-
2029	391,052	803,948	1,195,000
2030	376,452	863,548	1,240,000
2031 - 2035	1,690,095	5,314,905	7,005,000
2036 - 2040	1,216,759	7,328,241	8,545,000
2041 - 2042	112,696	3,817,303	3,929,999
Total	$ 3,787,054	$ 18,127,945	$ 21,914,999

**Principal does not include accreted interest of $6,741,910 as of June 30, 2025.*

The 2010 Election, Series B Bonds include $10,015,000 in Taxable Direct-Pay Qualified School Construction General Obligation Bonds and $105,000 in Taxable General Obligation Bonds. The District is eligible for a cash subsidy payment from the United States Treasury for the Qualified School Construction Bonds. The annual requirements to amortize the Series B Bonds outstanding as of June 30, 2025, are as follows:

Year Ended June 30,	Principal	Interest	Subsidy	Total
2026	$ 1,055,000	$ 225,788	(180,296)	$ 1,100,492
2027	1,115,000	154,575	(123,431)	1,146,144
2028	1,175,000	79,312	(63,333)	1,190,979
Total	$ 3,345,000	$ 459,675	$ (367,060)	$ 3,437,615

The annual requirements to amortize the Election of 2020 Series A Bonds outstanding as of June 30, 2025, are as follows:

Year Ended June 30,	Principal	Interest	Total
2026	$ 30,000	$ 86,900	$ 116,900
2027	35,000	85,600	120,600
2028	40,000	84,100	124,100
2029	45,000	82,400	127,400
2030	50,000	80,500	130,500
2031 - 2035	345,000	366,000	711,000
2036 - 2040	545,000	277,600	822,600
2041 - 2045	785,000	169,350	954,350
2046 - 2050	1,030,000	77,700	1,107,700
2051	240,000	2,400	242,400
Total	$ 3,145,000	$ 1,312,550	$ 4,457,550

NOTE 7 – LONG-TERM LIABILITIES (continued)

B. General Obligation Bonds (continued)

The annual requirements to amortize the Election of 2020 Series B Bonds outstanding as of June 30, 2025, are as follows:

Year Ended June 30,	Principal	Interest	Total
2026	$ 345,000	$ 189,075	$ 534,075
2027	370,000	171,825	541,825
2028	-	153,325	153,325
2029	-	153,325	153,325
2030	5,000	153,325	158,325
2031 - 2035	120,000	755,875	875,875
2036 - 2040	305,000	707,638	1,012,638
2041 - 2045	580,000	597,775	1,177,775
2046 - 2050	960,000	401,000	1,361,000
2051 - 2053	1,315,000	117,600	1,432,600
Total	$ 4,000,000	$ 3,400,763	$ 7,400,763

C. Other Postemployment Benefits

The District's beginning total OPEB liability was $734,108 and decreased by $67,022 during the year ended June 30, 2025. The ending total OPEB liability at June 30, 2025 was $667,086. See Note 9 for additional information regarding the total OPEB liability.

D. Net Pension Liability

The District's beginning net pension liability was $22,156,412 and increased by $558,114 during the year ended June 30, 2025. The ending net pension liability at June 30, 2025 was $22,714,526. See Note 10 for additional information regarding the net pension liability.

NOTE 8 – FUND BALANCES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 2,500	$ -	$ -	$ -	$ 2,500
Stores inventory	-	-	-	29,842	29,842
Prepaid expenditures	26,467	-	-	-	26,467
Total non-spendable	28,967	-	-	29,842	58,809
Restricted					
Educational programs	5,226,585	-	-	47,522	5,274,107
Food service	-	-	-	527,593	527,593
Associated student body	-	-	-	114,858	114,858
Capital projects	-	2,291,273	-	-	2,291,273
Debt service	-	-	1,670,477	-	1,670,477
Total restricted	5,226,585	2,291,273	1,670,477	689,973	9,878,308
Unassigned	1,863,882	-	-	-	1,863,882
Total	$ 7,119,434	$ 2,291,273	$ 1,670,477	$ 719,815	$ 11,800,999

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are as follows:

	Hired before 7/1/02*	Hired 7/1/02 to 6/30/14	Hired after 6/30/14
Benefit types provided	Medical & Vision	Medical & Vision	Medical & Vision
Duration of Benefits	7 years	1 year for each 4 years of service	1 year for each 5 years of service, but not beyond age 65
Required Service	7 years	12 years	12 years
Minimum Age	55	55	61
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100% to cap	100% to cap	100% to cap
District Cap	Active Cap	Active Cap	Active Cap

*Those retiring prior to 7/1/19 may choose the better of the first two tiers above

C. Contributions

For the measurement period, the District contributed $80,086 to the Plan, all of which was used for current premiums on a pay-as-you-go basis. There is no actuarially determined contribution, nor any contribution requirement established by statute or contract. The District's contribution is currently based on a projected pay as-you-go funding method, that is, benefits are payable when due.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	8
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	115
Total number of participants**	123

*Information not provided
**As of the June 30, 2024 valuation date

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Total OPEB Liability

The Willits Unified School District's total OPEB liability of $667,086 was determined by an actuarial valuation as of June 30, 2024 and measured as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2025 was determined by an actuarial valuation of June 30, 2024 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Discount rate	5.20%
Healthcare cost trend rate	4.00%

Non-economic assumptions:

Mortality:	
Certificated	2020 CalSTRS Mortality Table
Retirement rates:	
Certificated	2020 CalSTRS Retirement Rates Tables

The actuarial assumptions used in the June 30, 2024 valuation were based on a review of plan experience. The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed twenty-two years.

G. Changes in Total OPEB Liability

	June 30, 2025
Total OPEB Liability	
Service cost	$ 59,223
Interest on total OPEB liability	28,440
Changes of assumptions	(74,599)
Benefits payments	(80,086)
Net change in total OPEB liability	(67,022)
Total OPEB liability - beginning	734,108
Total OPEB liability - ending	$ 667,086
Covered-employee payroll	$ 11,390,038
District's total OPEB liability as a percentage of covered-employee payroll	5.86%

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

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

	1% Decrease (4.20%)	Valuation Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB liability	$ 726,559	$ 667,086	$ 622,689

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

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

	1% Decrease (3.00%)	Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	$ 582,801	$ 667,086	$ 760,926

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

For the fiscal year ended June 30, 2025, the Willits Unified School District recognized OPEB expense of $979. At June 30, 2025, the Willits Unified School District reported the following deferred outflows of resources and deferred inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 679,665
Changes in assumptions	28,370	244,955
Total	$ 28,370	$ 924,620

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 5,869	$ 92,553
2027	5,869	92,553
2028	5,869	92,553
2029	5,869	92,553
2030	3,685	92,553
Thereafter	1,209	461,855
Total	$ 28,370	$ 924,620

NOTE 10 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
CalSTRS Pension	$ 9,672,616	$ 4,974,618	$ 1,294,877	$ 1,388,888
CalPERS Pension	13,041,910	6,133,781	93,340	2,180,995
Total	$ 22,714,526	$ 11,108,399	$ 1,388,217	$ 3,569,883

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

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

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2025, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2025 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $1,865,408 for the year ended June 30, 2025.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $818,481 to CalSTRS.

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

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

District's proportionate share of the net pension liability	$	9,672,616
State's proportionate share of the net pension liability associated with the District		4,437,898
Total	$	14,110,514

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.014 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2023.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2025, the District recognized pension expense of $1,388,888. In addition, the District recognized pension expense and revenue of $(424,013) for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 39,029
Differences between expected and actual experience	1,094,097	422,978
Changes in assumptions	42,341	660,606
Changes in proportion and differences between District contributions and proportionate share of contributions	1,972,772	172,264
District contributions subsequent to the measurement date	1,865,408	-
Total	$ 4,974,618	$ 1,294,877

The $1,865,408 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 614,664	$ 977,777
2027	614,661	(490,534)
2028	577,384	334,971
2029	577,385	252,173
2030	434,205	110,029
2031	290,911	110,461
Total	$ 3,109,210	$ 1,294,877

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2024, are summarized in the following table:

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

*Real return is net of assumed 2.75% inflation

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 17,204,419	$ 9,672,616	$ 3,383,248

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2025 was 27.05% of annual payroll. Contributions to the plan from the District were $2,028,644 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of $13,041,910 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.036 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2023.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2025, the District recognized pension expense of $2,180,995. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 506,603	$ -
Differences between expected and actual experience	1,093,373	93,340
Changes in assumptions	288,270	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,216,891	-
District contributions subsequent to the measurement date	2,028,644	-
Total	$ 6,133,781	$ 93,340

The $2,028,644 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	$ 1,738,221	$ 93,340
2027	1,829,163	-
2028	698,050	-
2029	(160,297)	-
Total	$ 4,105,137	$ 93,340

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

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

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

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

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

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

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

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

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

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 19,373,865	$ 13,041,910	$ 7,811,210

Pension Plan Fiduciary Net Position

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2025, the District had no commitments with respect to unfinished capital projects.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The Willits Unified School District participates in three joint powers agreement (JPA) entities, the Northern California School Insurance Group (NCSIG), the School Excess Liability Fund (SELF) and the Schools Insurance Group Northern Alliance (SIGNAL). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage.

Each JPA is governed by a board consisting of a representative from each member school agency. Each governing board controls the operations of its JPA independent of any influence by the Willits Unified School District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member district's share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes. Financial statements are available directly from the JPAs.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2025, total deferred outflows related to pensions was $11,108,399 and total deferred inflows related to pensions was $1,388,217.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2025, total deferred outflows related to other postemployment benefits was $28,370 and total deferred inflows related to other postemployment benefits was $924,620.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of the Governmental Activities has been restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 establishes recognition and measurement guidance for liabilities related to compensated absences, requiring that the liability be recognized when leave is attributable to services already rendered and it is probable that the leave will be used or paid. This standard supersedes certain provisions of GASB Statement No. 16.

The cumulative effect of applying GASB 101 required a restatement of the beginning net position, as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ (3,179,701)
Restatement	(1,904,856)
Net Position - Beginning, as Restated	$ (5,084,557)

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 19,949,026	$ 19,668,224	$ 19,877,406	$ 209,182
Federal sources	1,732,683	2,204,947	1,998,029	(206,918)
Other state sources	3,173,771	3,455,862	5,044,821	1,588,959
Other local sources	1,578,243	2,655,413	3,052,224	396,811
Total Revenues	26,433,723	27,984,446	29,972,480	1,988,034
EXPENDITURES				
Certificated salaries	10,293,727	10,916,434	11,287,248	(370,814)
Classified salaries	6,283,405	6,494,864	6,277,749	217,115
Employee benefits	8,044,897	8,456,005	8,281,375	174,630
Books and supplies	1,434,801	1,758,863	1,520,332	238,531
Services and other operating expenditures	3,355,076	3,253,883	3,872,164	(618,281)
Capital outlay	240,000	479,697	703,837	(224,140)
Other outgo				
Excluding transfers of indirect costs	-	40,856	54,950	(14,094)
Total Expenditures	29,651,906	31,400,602	31,997,655	(597,053)
NET CHANGE IN FUND BALANCE	(3,218,183)	(3,416,156)	(2,025,175)	1,390,981
Fund Balance - Beginning	8,936,859	8,936,859	8,936,859	-
Fund Balance - Ending	$ 5,718,676	$ 5,520,703	$ 6,911,684	$ 1,390,981

*Audit adjustments and reclassifications are not shown on this schedule.

See accompanying notes to required supplementary information.

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

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability								
Service cost	$ 59,223	$ 66,711	$ 66,087	$ 99,832	$ 96,500	$ 105,406	$ 98,360	$ 95,727
Interest on total OPEB liability	28,440	40,424	38,394	32,541	32,924	63,747	62,128	67,929
Difference between expected and actual experience	-	(399,229)	-	(306,483)	-	(222,573)	-	-
Changes of assumptions	(74,599)	(14,830)	(11,312)	(138,844)	5,539	(104,141)	63,048	-
Benefits payments	(80,086)	(66,221)	(74,923)	(109,285)	(144,065)	(181,476)	(180,123)	(177,469)
Net change in total OPEB liability	(67,022)	(373,145)	18,246	(422,239)	(9,102)	(339,037)	43,413	(13,813)
Total OPEB liability - beginning	734,108	1,107,253	1,089,007	1,511,246	1,520,348	1,859,385	1,815,972	1,829,785
Total OPEB liability - ending	$ 667,086	$ 734,108	$ 1,107,253	$ 1,089,007	$ 1,511,246	$ 1,520,348	$ 1,859,385	$ 1,815,972
Covered-employee payroll	$ 11,390,038	$ 10,373,766	$ 9,020,700	$ 7,632,996	$ 7,269,520	$ 7,410,676	$ 7,152,286	$ 7,132,502
District's total OPEB liability as a percentage of covered-employee payroll	5.86%	7.08%	12.27%	14.27%	20.79%	20.52%	26.00%	25.46%

See accompanying notes to required supplementary information.

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

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability	0.014%	0.013%	0.012%	0.012%	0.012%	0.012%	0.012%	0.011%	0.012%	0.012%
District's proportionate share of the net pension liability	$ 9,672,616	$ 10,154,687	$ 8,241,899	$ 5,409,146	$ 11,859,565	$ 10,849,689	$ 11,050,902	$ 10,282,752	$ 9,755,110	$ 8,289,481
State's proportionate share of the net pension liability associated with the District	4,437,898	4,865,485	4,127,567	2,721,730	6,113,558	5,919,277	6,327,189	6,083,239	5,554,228	4,384,211
Total	$ 14,110,514	$ 15,020,172	$ 12,369,466	$ 8,130,876	$ 17,973,123	$ 16,768,966	$ 17,378,091	$ 16,365,991	$ 15,309,338	$ 12,673,692
District's covered payroll	$ 9,646,146	$ 8,176,181	$ 7,010,953	$ 6,539,253	$ 6,686,564	$ 6,579,328	$ 6,493,119	$ 6,002,283	$ 6,009,208	$ 5,720,912
District's proportionate share of the net pension liability as a percentage of its covered payroll	100.27%	124.20%	117.56%	82.72%	177.36%	164.91%	170.19%	171.31%	162.34%	144.90%
Plan fiduciary net position as a percentage of the total pension liability	83.55%	80.60%	81.20%	87.20%	71.80%	72.60%	71.00%	69.46%	70.04%	74.02%

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

See accompanying notes to required supplementary information.

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

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability	0.036%	0.033%	0.028%	0.028%	0.027%	0.030%	0.031%	0.031%	0.031%	0.031%
District's proportionate share of the net pension liability	$ 13,041,910	$ 12,001,725	$ 9,556,750	$ 5,525,608	$ 8,509,480	$ 8,699,450	$ 8,355,649	$ 7,351,747	$ 6,208,389	$ 4,524,332
District's covered payroll	$ 7,209,224	$ 5,738,671	$ 4,266,894	$ 3,891,923	$ 3,994,873	$ 4,133,598	$ 4,132,110	$ 3,926,978	$ 3,546,310	$ 3,399,129
District's proportionate share of the net pension liability as a percentage of its covered payroll	180.91%	209.14%	223.97%	141.98%	213.01%	210.46%	202.21%	187.21%	175.07%	133.10%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	70.00%	69.80%	81.00%	70.00%	70.00%	70.80%	71.87%	73.90%	79.43%

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

See accompanying notes to required supplementary information.

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

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	$ 1,865,408	$ 1,800,767	$ 1,573,012	$ 1,169,540	$ 1,035,251	$ 1,128,121	$ 1,057,862	$ 929,495	$ 752,848	$ 640,617
Contributions in relation to the contractually required contribution*	(1,865,408)	(1,800,767)	(1,573,012)	(1,169,540)	(1,035,251)	(1,128,121)	(1,057,862)	(929,495)	(752,848)	(640,617)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 10,009,266	$ 9,646,146	$ 8,176,181	$ 7,010,953	$ 6,539,253	$ 6,686,564	$ 6,579,328	$ 6,493,119	$ 6,002,283	$ 6,009,208
Contributions as a percentage of covered payroll	18.64%	18.67%	19.24%	16.68%	15.83%	16.87%	16.08%	14.32%	12.54%	10.66%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

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

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	$ 2,028,644	$ 1,923,179	$ 1,456,314	$ 975,623	$ 807,124	$ 787,733	$ 746,559	$ 641,991	$ 546,747	$ 446,274
Contributions in relation to the contractually required contribution*	(2,028,644)	(1,923,179)	(1,456,314)	(975,623)	(807,124)	(787,733)	(746,559)	(641,991)	(546,747)	(446,274)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,499,894	$ 7,209,224	$ 5,738,671	$ 4,266,897	$ 3,891,923	$ 3,994,873	$ 4,133,598	$ 4,132,110	$ 3,926,978	$ 3,546,310
Contributions as a percentage of covered payroll	27.05%	26.68%	25.38%	22.86%	20.74%	19.72%	18.06%	15.54%	13.92%	12.58%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms

There were no changes in benefit terms.

Changes in Assumptions

The discount rate was changed from 3.93% to 5.20% since the previous measurement.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund			
Certificated salaries	$ 10,916,434	$ 11,287,248	$ 370,814
Services and other operating expenditures	$ 3,253,883	$ 3,872,164	$ 618,281
Capital outlay	$ 479,697	$ 703,837	$ 224,140
Other outgo			
Excluding transfers of indirect costs	$ 40,856	$ 54,950	$ 14,094

SUPPLEMENTARY INFORMATION

WILLITS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 558,252
Comprehensive Support and Improvement for LEAs	84.010	15438	344,162
Subtotal Title I, Part A			902,414
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	91,118
Title III			
Title III, English Learner Student Program	84.365	14346	66,002
Title III, Immigrant Education Program	84.365	15146	242
Subtotal Title III			66,244
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	35,056
Title VI, Part B, Rural & Low Income School Program	84.358	14356	26,987
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	6,086
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	387,306
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	24,437
Subtotal Special Education Cluster			411,743
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	25,761
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	468,288
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	7,698
Subtotal Education Stabilization Fund Discretionary Grants			475,986
Total U. S. Department of Education			2,041,395
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	377,810
National School Lunch Program	10.555	13391	597,152
USDA Commodities	10.555	*	73,390
Summer Food Service Program for Children	10.559	13004	54,671
Meal Supplements	10.555	*	29,684
Subtotal Child Nutrition Cluster			1,132,707
Forest Reserve Funds	10.665	10044	45
Passed through California Department of Social Services:			
CACFP Claims - Centers and Family Day Care	10.558	13393	65,941
Total U. S. Department of Agriculture			1,198,693
Total Federal Expenditures			$ 3,240,088

***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

WILLITS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2025

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	450.15	449.74
Extended Year Special Education	1.31	1.31
Total TK/K through Third	451.46	451.05
Fourth through Sixth		
Regular ADA	290.12	291.12
Extended Year Special Education	0.93	0.93
Total Fourth through Sixth	291.05	292.05
Seventh through Eighth		
Regular ADA	226.49	225.36
Extended Year Special Education	0.29	0.29
Total Seventh through Eighth	226.78	225.65
Ninth through Twelfth		
Regular ADA	400.45	397.07
Extended Year Special Education	0.49	0.49
Total Ninth through Twelfth	400.94	397.56
TOTAL SCHOOL DISTRICT	1,370.23	1,366.31

See accompanying note to supplementary information.

WILLITS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2025

Grade Level	Minutes Requirement	2024-25 Actual Instructional Minutes	Number of Days	Status
Kindergarten	36,000	51,360	180	Complied
Grade 1	50,400	51,720	180	Complied
Grade 2	50,400	51,720	180	Complied
Grade 3	50,400	51,720	180	Complied
Grade 4	54,000	54,420	180	Complied
Grade 5	54,000	54,420	180	Complied
Grade 6	54,000	57,562	180	Complied
Grade 7	54,000	57,562	180	Complied
Grade 8	54,000	57,562	180	Complied
Grade 9	64,800	65,610	180	Complied
Grade 10	64,800	65,610	180	Complied
Grade 11	64,800	65,610	180	Complied
Grade 12	64,800	65,610	180	Complied

See accompanying note to supplementary information.

WILLITS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

	2026 (Budget)	2025	2024	2023
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	$ 27,955,174	$ 29,972,480	$ 29,447,064	$ 29,272,640
Expenditures And Other Financing Uses	29,140,777	31,997,655	30,591,354	26,622,864
Net change in Fund Balance	$ (1,185,603)	$ (2,025,175)	$ (1,144,290)	$ 2,649,776
Ending Fund Balance	$ 5,726,081	$ 6,911,684	$ 8,969,859	$ 10,081,149
Available Reserves*	$ 911,902	$ 1,656,133	$ 2,863,897	$ 5,002,549
Available Reserves As A Percentage Of Outgo	3.13%	5.18%	9.36%	18.79%
Long-term Liabilities	$ 45,340,773	$ 47,122,644	$ 45,217,164	$ 37,626,127
Average Daily Attendance At P-2	1,363	1,370	1,389	1,340

The General Fund balance has decreased by $3,169,465 over the past two years. The fiscal year 2025-26 budget projects a decrease of $1,185,603. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2025-26 fiscal year. Total long-term obligations have increased by $9,496,517 over the past two years.

Average daily attendance has increased by 30 ADA over the past two years. However, a decrease of 7 ADA is anticipated during the 2025-26 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

See accompanying note to supplementary information.

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

	General Fund	Cafeteria Fund
June 30, 2025, annual financial and budget report fund balance	$ 6,911,684	$ 519,736
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Accounts receivable	207,750	37,699
Net adjustments and reclassifications	207,750	37,699
June 30, 2025, audited financial statement fund balance	$ 7,119,434	$ 557,435

See accompanying note to supplementary information.

WILLITS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2025

Charter #	Charter School	Status	Included in Audit Report
0822	La Vida Charter	Active	No
0166	Willits Charter	Active	No
1373	Willits Elementary Charter	Active	No

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2025 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2025.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 3,198,250
Title III, English Learner Student Program	84.365	41,838
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 3,240,088

The District has not elected to use the de minimis indirect cost rate of up to 15 percent.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

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

OTHER INFORMATION

The District was established in 1961 and its boundaries encompass the City of Willits. There were no changes in the boundaries of the District during the current year. The District provides education for grades K-12 and is currently operating two elementary schools, one necessary small elementary school, one middle school, one high school, a K-12 independent study school and an adult school. Three charter schools also operate within the district boundaries.

GOVERNING BOARD

Member	Office	Term Expires
Jennifer Sookne	President	December 2026
Dianne McNeal	Clerk	December 2028
Alex Bowlds	Member	December 2028
Jeanne King	Member	December 2026
Paula Nunez	Member	December 2026

DISTRICT ADMINISTRATORS

Mark Beebe
Superintendent

Melissa Ragsdale
Director of Fiscal Services

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
Willits Unified School District
Willits, 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 Willits Unified School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Willits Unified School District's basic financial statements, and have issued our report thereon dated January 14, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Willits Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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.

Christy White, Inc.

San Diego, California
January 14, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Willits Unified School District
Willits, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Willits Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Willits Unified School District's major federal programs for the year ended June 30, 2025. Willits Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Willits Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit for Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Willits Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Willits Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Willits Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Willits Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Willits Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 14, 2026

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

Governing Board
Willits Unified School District
Willits, California

Report on State Compliance

Opinion on State Compliance

We have audited Willits Unified School District's compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Willits Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2025.

In our opinion, Willits Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2025.

Basis for Opinion on State Compliance

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of State Compliance

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Willits Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Willits Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Willits Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Willits Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools or Programs	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2025-001 and #2025-002. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Willits Unified School District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Willits Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 14, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

AL Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with *2024-25 Guide for Annual Audits of California K-12 Local Education Agencies* ?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2025.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2025.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2025-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), should contain information regarding school facility conditions, as indicated in the most recently prepared facility inspection tool (FIT) form or a local evaluation instrument that meets the same criteria, as per Education Code Sections 33126(b)(8) and 1700(d).

Condition: During our review of Baechtel Grove Middle School, we noted an inconsistency in the reporting of the Cleanliness rating. The SARC reported the Cleanliness section as Fair, while the corresponding FIT Form reported the same section as Good. This inconsistency indicates that the District did not maintain uniform and accurate reporting across its required compliance documents.

Cause: The District prepared the SARC using incorrect information from the FIT Form.

Effect: The District is not in compliance with the related sections of California Education Code.

Context: For Baechtel Grove Middle School, the Cleanliness rating in the SARC did not match the rating on the FIT Form.

Questioned Cost: There are no questioned costs associated with this finding.

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that the District ensure accuracy and consistency when preparing the SARC by reconciling all ratings to the most recently completed FIT Form and retaining all supporting documentation used in the reporting process.

Corrective Action Plan: Willits USD has already addressed this issue by reviewing SARCs at the district level prior to the submission deadline. The district has scheduled conversations with administrators who are filling out the SARCs and reminding them of the importance of accurate data entry in all areas but most specifically the FIT forms. The district will continue to ensure more accurate reports by annually scheduling time to review them once received by the school sites to ensure accuracy.

FINDING #2025-002: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current 2024-25 school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: During testing of the Comprehensive School Safety Plans at Sherwood Elementary School, Baechtel Grove Middle School, and Willits High School, it was noted that the plans were not approved by the governing board prior to the required deadline of March 1st for the current audit year. The District was unable to provide supporting documentation, such as site council meeting minutes, to confirm the adoption dates or timely review of the plans.

Cause: Insufficient review procedures in place during the implementation process.

Effect: The District was untimely adhering to comprehensive school safety requirements per California Education Code.

Questioned Costs: None.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing new requirements in California Education Code in a timely manner.

Corrective Action Plan: Willits USD has recognized the error and what led to it. The district has begun creating new policies that better align with Education Code to ensure full compliance is met. The district has changed how these are approved and will ensure they are acted upon during the February governing board meeting to meet the March 1st deadline. This item has been added to the district’s annual guideline of board items per month.

FINDING #2024-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted that Baechtel Grove Middle School did not have the required signatures on their tally sheets for the 4 of 4 cash receipts tested.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that all ASB tally sheets be signed and dated by all the required parties to show evidence that accurate deposits were made.

Corrective Action Plan: ASB fund internal controls triggered an audit finding, due to not receiving the proper signatures on 4 of the 4 receipts tested. This will be addressed and corrected by mandating FCMAT ASB trainings as available and utilizing all other training opportunities. As new staff has taken over, they will be fully trained in accordance with audit requirements to ensure this error does not repeat itself in the future.

Current Status: Implemented.

FINDING #2024-002 SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), should contain information regarding school facility conditions, as indicated in the most recently prepared facility inspection tool (FIT) form or a local evaluation instrument that meets the same criteria, as per Education Code Sections 33126(b)(8) and 1700(d).

Condition: The District was unable to provide the FIT forms for Blosser Lane Elementary School and Baechtel Grove Middle School, used to prepare the 2022-2023 SARCs published during the 2023-2024 school year, for applicable state compliance testing.

Cause: The District could not locate the FIT forms.

Effect: The District is not in compliance with the related sections of California Education Code.

Context: Four of the five District school sites were selected for SARC compliance testing: Blosser Lane Elementary School, Brookside Elementary School, Baechtel Grove Middle School, and Willits High School. The District was not able to provide FIT forms for Blosser Lane Elementary School and Baechtel Grove Middle School.

Questioned Cost: There are no questioned costs associated with this finding.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District retain required reports and paperwork.

Corrective Action Plan: A change in staffing in our maintenance department led to decreased access to previously created documents. This has already been corrected by ensuring all FIT forms used to complete the School Accountability Report Cards are given to the Director of Fiscal Services upon completion to ensure they are readily available for future audits.

Current Status: Not Implemented. See Finding #2025-001

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CITY OF WILLITS AND MENDOCINO COUNTY

*The following information is included only for the purpose of supplying general information regarding the City of Willits (the "**City**") and County of Mendocino (the "**County**"). This information is provided only for general informational purposes, and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of the City, the County, the State of California (the **"State"**) or any of its political subdivisions, and neither the City, County, the State nor any of political subdivisions thereof is liable therefor.*

General Information

The City. The District is located in the City, in the County, approximately 140 miles north of San Francisco and 20 miles north of Ukiah, the largest city in the County. The City, located at the heart of the County and at the beginning of the county's extensive redwood forests, on Highway 101, was incorporated in 1888 and is known to be the Gateway to the Redwoods. The City has hot, dry summer days and cool summer nights and cool winters, with the occasional snow fall.

The County. The County was created in 1850 by the State Legislature and was one of the State's original 27 counties. Sonoma, Lake, Glenn, Tehama, Trinity and Humboldt counties all border Mendocino County on its inland side. The County spans an area of over 2 million acres, which is approximately 3,500 square miles with a coastline of about 100 miles. Coastal State Route 1 and U.S. Highway 101, which runs through the center of the County, are important transportation routes. Smaller country roads connect the County's five distinct regions, which are the Anderson Valley to the south, South Mendocino coast, North Mendocino coast, Northern Mendocino County and the Russian River Valley to the east. The City of Ukiah is the largest city in the County and is the County seat. The County is legislatively governed by a board of five supervisors, each with a separate district.

The County has nine Indian reservations within its borders, the fourth-most of any county in the United States (after San Diego County, California; Sandoval County, New Mexico; and Riverside County, California).

Population

The County's population at January 1, 2026, the most recent estimate, was 88,591 according to the State Department of Finance. The table below shows population estimates for the County and cities within the County, including the City, for the last five years.

MENDOCINO COUNTY
Population Estimates
Calendar Years 2022 through 2026 as of January 1

Area	2022	2023	2024	2025	2026
Fort Bragg	7,116	7,043	7,220	7,207	7,142
Point Arena	455	449	449	455	450
Ukiah	16,305	16,200	16,150	16,290	16,138
Willits	**4,893**	**4,840**	**4,861**	**4,841**	**4,800**
Balance of County	61,146	60,764	60,736	60,532	60,061
Total County	**89,915**	**89,296**	**89,416**	**89,325**	**88,591**

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

Employment and Industry

The following table shows the average annual estimated numbers of wage and salary workers by industry.

Mendocino County
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2025 Benchmark)

	2021	**2022**	**2023**	**2024**	**2025**
Civilian Labor Force [(1)]	35,750	35,960	36,410	36,500	36,770
Employment	33,360	34,370	34,620	34,480	34,590
Unemployment	2,390	1,590	1,790	2,030	2,180
Unemployment Rate	6.7%	4.4%	4.9%	5.6%	5.9%
Wage and Salary Employment: [(2)]					
Agriculture	1,660	1,780	1,690	1,570	1,530
Mining, Logging, and Construction	1,630	1,670	1,700	1,790	1,810
Manufacturing	2,400	2,570	2,510	2,200	1,890
Wholesale Trade	750	740	720	650	700
Retail Trade	4,660	4,540	4,400	4,160	4,000
Transportation, Warehousing, Utilities	850	800	790	830	860
Information	180	210	200	190	160
Financial Activities	980	980	950	980	930
Professional and Business Services	1,820	1,800	1,920	1,920	1,950
Educational and Health Services	5,580	5,800	6,000	6,450	6,890
Leisure and Hospitality	3,680	4,060	4,120	4,070	3,960
Other Services	620	720	710	720	740
Federal Government	260	260	270	260	270
State Government	670	680	690	700	770
Local Government	5,440	5,830	6,060	6,170	6,250
Total, All Industries [(3)]	31,170	32,430	32,730	32,660	32,720

(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) Columns may not sum to totals due to rounding.
Source: State of California Employment Development Department.

Largest Employers

The following table lists major employers within the County as of September 2026, being the most current date for which such information is available. The employers are listed in alphabetical order without regard to the number of employees.

MENDOCINO COUNTY
Major Employers
As of September 2026

Employer Name	Location	Industry
Adventist Health Mendocino	Fort Bragg	Rehabilitation Services
Adventist Health Ukiah Valley	Ukiah	Hospitals
Adventist Health Ukiah Vly	Ukiah	Outpatient Services
California Department-Forestry	Willits	State Government-Fire Protection
Coyote Valley Casino	Redwood Valley	Casinos
Cypress Holdings Inc	Fort Bragg	Holding Companies (non-Bank)
Dharma Realm Buddhist Assn	Ukiah	Montessori Schools
Fetzer Vineyards	Hopland	Wineries (mfrs)
Little River Inn	Little River	Hotels & Motels
Mendocino Community Health	Ukiah	Clinics
Mendocino County Child Health	Ukiah	Government Offices-County
Mendocino County Food Stamps	Ukiah	Government Offices-County
Mendocino County Office of Edu	Ukiah	Boards of Education
Mendocino County Sheriff	Point Arena	Government Offices-County
Mendocino County Social Svc	Ukiah	Government Offices-County
Mendocino Headlands State Park	Mendocino	State Parks
Mendocino Redwood Co LLC	Calpella	Lumber-Manufacturers
Pacific Coast Farm Credit	Ukiah	Loans-Agricultural
Pacific Medical Resources	Fort Bragg	Nursing Services
Safeway	Fort Bragg	Grocers-Retail
Sawmill	Ukiah	Sawmills & Planing Mills-General (mfrs)
Thurston Toyota	Ukiah	Automobile Dealers-New Cars
Ukiah City Civic Ctr	Ukiah	Halls & Auditoriums
Ukiah High School	Ukiah	Schools
Walmart	Ukiah	Department Stores

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

Commercial Activity

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

Total taxable sales during the first quarter of calendar year 2026 in the City were reported to be $22,909,678, a 0.5% increase over the total taxable sales of $22,788,813 reported during the first quarter of calendar year 2025.

CITY OF WILLITS
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2021 through 2025
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2021	183	$134,950	343	$154,510
2022	173	116,637	328	126,971
2023	167	109,110	313	116,810
2024	163	101,444	296	107,807
2025	161	95,439	303	106,328

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter of calendar year 2026 in the County were reported to be $367,484,996, a 3.2% increase over the total taxable sales of $356,135,990 reported during the first quarter of calendar year 2025.

MENDOCINO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2021 through 2025
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2021	2,261	$1,540,836	4,584	$1,998,086
2022	2,170	1,434,681	4,499	1,874,326
2023	2,074	1,349,424	4,299	1,775,957
2024	2,028	1,270,949	4,177	1,710,761
2025	1,954	1,213,574	4,062	1,686,143

Source: State Department of Tax and Fee Administration.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax 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), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

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

CITY OF WILLITS, MENDOCINO COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Estimated Median Household Effective Buying Income
2023 through 2027

	2023	2024	2025	2026	2027
City of Willits	$43,735	$46,508	$55,509	$62,952	$71,136
Mendocino County	55,207	59,643	62,665	66,557	67,075
California	77,175	80,973	82,725	90,403	91,733
United States	65,326	67,876	69,687	75,433	76,807

Source: Claritas, LLC.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL LLP]

[Closing Date]

Board of Trustees
Willits Unified School District
1277 Blosser Lane
Willits, California 95490

OPINION: $__________ Willits Unified School District
General Obligation Bonds Election of 2020, Series C (Bank Qualified)

Members of the Board of Trustees:

We have acted as bond counsel to the Willits Unified School District (the "District") in connection with the issuance by the District of the general obligation bonds captioned above, dated ______, 2026 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we deem necessary to render this opinion.

The Bonds are issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the District (the "Board") on September 10, 2026 (the "Bond Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Bond Resolution, and on the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

1. The District is duly established and validly existing as a school district with the power to adopt the Bond Resolution, perform the agreements on its part contained therein, and issue the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District, enforceable against the District.

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

4. The county in which the District is located is obligated and authorized under the laws of the State of California to levy ad valorem taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

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

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

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

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

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

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$______________
WILLITS UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds,
Election of 2020, Series C
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Willits Unified School District (the "**District**") in connection with the execution and delivery of the above-captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on September 10, 2026 (the "**Resolution**"). The Bank of New York Mellon Trust Company, N.A. 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 S.E.C. Rule 15c2-12(b)(5).

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

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

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District.

"*Dissemination Agent*" means, initially, Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

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

"*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 The Bank of New York Mellon Trust Company, N.A., or any successor thereto.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, 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 March 31, 2027, with the report for the 2025-26 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, that the filing of the Official Statement with the MSRB shall satisfy the requirements of the first Annual Report. Not later than 15 business days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 business days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

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

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

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

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

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the

Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) the District's total LCFF funding for the preceding fiscal year;

(iii) if the District is not participating in the Teeter Plan, assessed valuation of the top ten taxpayers and information regarding secured tax charges and delinquencies on taxable properties within the District; and

(iv) current fiscal year assessed valuation of taxable properties in the District.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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.

Section 5. <u>Reporting of Significant Events</u>.

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

(1) Principal and interest payment delinquencies.

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

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

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

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

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

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

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

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

(9) Defeasances.

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

(11) Rating changes.

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

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

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

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

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

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

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

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

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

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

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

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

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

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

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

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

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

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

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

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

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

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

Date: _______, 2026

WILLITS UNIFIED SCHOOL DISTRICT

By: ______________________________
Name:____________________________
Title:______________________________

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G

MENDOCINO COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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COUNTY OF MENDOCINO

STATEMENT OF INVESTMENT POLICY

OFFICE OF
CHAMISE CUBBISON
MENDOCINO COUNTY
AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR
JANUARY 2026

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I. Introduction

As designated by the Board of Supervisors under the laws of the State of California, it is the responsibility of the County Treasurer to secure and protect the public funds of the County, as well as establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational, and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are not immediately required for daily operations in a manner anticipated to provide additional benefits to the citizens of the County of Mendocino. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County, rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments, and other financial duties separately. This pooling of public funds not only eliminates duplication of expenses, but also levels out cash flow differences, permits cost savings through higher volume, and attracts more professional service providers. This document contains the policies, procedures, and legalities guiding the County Treasurer when investing funds.

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27136, and 53600 - 53686. The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws will be the focus of this policy statement. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. This document is reviewed no less than annually and may be adjusted as needed to reflect any changes in the Government Code or investment practices.

II. Scope

This Investment Policy applies to all the County's financial assets and investment activities with the following exceptions:

A. Proceeds of debt issuance shall be invested in accordance with the County's general investment philosophy as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

Pooling of Funds: Except for cash in certain restricted and special funds, the County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income shall be allocated quarterly, calculated using on the average daily balance for the calendar quarter and allocated quarterly using cash basis methodology, to the various funds based on their respective participation and in accordance with generally accepted accounting principles. As authorized by California Government Code Section 27013, all costs related to the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income shall be apportioned equally on the same basis.

III. General Objectives

The overriding objectives of the investment program are to preserve principal, provide sufficient liquidity, and manage investment risks. The specific objectives for the program are ranked in order of importance:

1. ***Safety***: Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

2. ***Liquidity***: The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. ***Return on Investments***: The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs. Yield is definitely considered to be of much less importance than safety and liquidity and shall not be a driving force in determining which investments are selected for purchase.

IV. Prudence, Indemnification, and Ethics

A. *Prudent Investor Standard*: Management of the County's investments is governed by the Prudent Investor Standard as set forth in California Government Code Section 53600.3:

> **"…**all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the County, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

B. *Indemnification*: The Treasurer and other authorized persons responsible for managing County funds, acting in accordance with the investment policy and exercising due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

C. *Ethics*: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. Delegation of Authority

A. Authority to manage the County's investment program is derived from California Government Code Sections 53600 *et seq.* The governing body is responsible for the County's cash management, including the administration of this Investment Policy. Management responsibility for the cash management of County funds is hereby delegated to the Treasurer.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees. Pertaining to the California Government Code Section 27000 this delegation is subject to review and renewal of authority by the Board of Supervisors each year.

B. The County may engage the services of one or more external investment managers to assist in the management of the County's investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. Authorized Financial Institutions, Depositories, and Broker/Dealers

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The County Treasurer will determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:

1. Institutions licensed by the state as a broker-dealer;
2. Institutions that are members of a federally regulated securities exchange;
3. Primary government dealers as designated by the Federal Reserve Bank;
4. Non-primary government dealers;
5. Nationally or state-chartered banks;
6. The Federal Reserve Bank; and,
7. Direct issuers of securities eligible for purchase.

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the County will be at the sole discretion of the County.

C. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq*. and the County's Investment Policy.

D. Selection of broker/dealers used by an external investment adviser retained by the County will be at the sole discretion of the investment adviser.

E. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

VII. DELIVERY, SAFEKEEPING AND CUSTODY, AND COMPETITIVE TRANSACTIONS

A. *Delivery-versus-payment*: Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.

B. *Third-party safekeeping*: To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County will be held in safekeeping by a third-party bank custodian, acting as agent for the County under the terms of a custody agreement executed by the bank and the County.

C. *Competitive transactions*: All investment transactions will be conducted on a competitive basis which can be executed through a bidding process involving at least three separate brokers/financial institutions to the extent possible or through the use of a nationally recognized trading platform.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and (iii) mutual funds and money market mutual funds, since these securities are non-deliverable.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

All investments will be made in accordance with Sections 53600 *et seq.* of the Government Code of the State of California and as described within this Investment Policy. Percentage holding limits and credit rating minimums are applicable at the time the security is purchased. Permitted investments under this policy will include:

1. **Municipal Securities.** These include obligations of the County, the State of California, and any local Agency within the State of California. In addition, Municipal Securities include obligations of the treasuries of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California. The bonds will be registered in the name of the County or held under a custodial agreement at a bank. The securities are rated in a rating category of "A" or its equivalent or higher by at least one nationally recognized statistical rating organization (NRSRO).

   a. The maximum maturity of an issue shall be no more than five years;
   b. No more than five percent per issuer; and,
   c. No more than 30% of the portfolio may be invested in Municipal Securities.

2. **U.S. Treasury** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the County may invest in U.S. Treasuries.

   a. The maximum maturity of an issue shall be no more than five years.

3. **U.S. Agency Obligations** or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the County may invest in government-sponsored enterprises.

   a. The maximum maturity of an issue shall be no more than five years;
   b. No more than 30% of the pool value shall be invested in any single issuer; and,
   c. The maximum percentage of callable agency securities will be 20%.

4. **Banker's Acceptances** provided that:

   a. They are issued by institutions with short term debt obligations rated in the rating category of "A-1" or higher, or the equivalent, by at least two

NRSROs; and have long-term debt obligations which are rated in the rating category of “A” or its equivalent or higher by at least two NRSROs;

b. The maturity does not exceed 180 days;
c. No more than 40% of the total portfolio may be invested in banker’s acceptances; and,
d. No more than five percent per issuer.

5. **Federally Insured Time Deposits** (**Non-Negotiable Certificates of Deposit** in state or federally chartered banks, savings and loans, or credit unions, provided that:

   a. The amount per institution is limited to the maximum covered under federal insurance;
   b. The maturity of such deposits does not exceed five years; and,
   c. No more than five percent per issuer.

6. **Supranationals** provided that:

   a. Issues are unsubordinated obligations issued by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB);
   b. The securities are rated in the rating category of “AA” or its equivalent or higher by one NRSRO;
   c. No more than 30% of the total portfolio may be invested in these securities;
   d. No more than 10% of the portfolio per issuer; and,
   e. The maximum maturity does not exceed five years.

7. **Collateralized Time Deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

   a. No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits;
   b. The maturity of such deposits does not exceed five years; and,
   c. No more than five percent per issuer.

8. **Negotiable Certificates of Deposit (NCDs)** provided that:

   a. The amount of the NCD insured up to the FDIC limit does not require any credit ratings;
   b. Any amount above the FDIC insured limit must be issued by institutions which have long-term obligations which are rated in the rating category of “A” or its equivalent or higher by at least one NRSRO; or have short term debt obligations rated “A-1” or higher, or the equivalent, by at least one NRSRO;

c. The maturity does not exceed five years;
d. No more than 30% of the total portfolio may be invested in be in negotiable certificates of deposit that are authorized under Section 53601(i).; and,
e. No more than five percent per issuer.

9. **Repurchase Agreements** collateralized with securities authorized under Sections VI and VIII (2 and 3) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:

   a. The maximum maturity of repurchase agreements will be one year;
   b. There is no limit to the amount to be invested in repurchase agreements;
   c. Securities used as collateral for repurchase agreements will be delivered to the County's custodian bank (See Section VII B); and,
   d. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).

10. **Commercial Paper** provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

    a. Securities issued by corporations:
       1. A corporation organized and operating in the United States with assets more than $500 million.
       2. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
       3. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
    b. Securities issued by other entities:
       1. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
       2. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
       3. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
    c. Other requirements:
       1. No more than 40% of the Pool's investment assets under management may be invested in Commercial Paper.
       2. No more than 5% of the Pool may be invested in any single issuer.
       3. The maximum maturity may not exceed 397 days.

11. **State of California Local County Investment Fund (LAIF)**, provided that:

    a. The County may invest up to the maximum permitted amount in LAIF; and,

b. LAIF's investments in instruments prohibited by or not specified in the County's policy do not exclude it from the County's list of allowable investments, provided that the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

12. **Local Government Investment Pools,** provided that: specifically Joint Powers Authority Pools and County Pooled Investment Funds. Provided that:

    a. A Joint Powers Authority Pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o)

13. **Corporate Medium Term Notes (MTNs),** provided that:

    a. Such notes have a maximum maturity of five years;
    b. Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States;
    c. Are rated in the rating category of "A" or its equivalent or better by at least one NRSRO;
    d. Holdings of medium-term notes may not exceed 30% of the portfolio; and,
    e. No more than five percent per issuer.

14. **Asset-Backed Securities, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from Issuers Not Defined In Sections 2 and 3 of the Authorized and Suitable Investments Section of this Investment Policy** provided that such securities:

    a. Have a maximum stated final maturity of five years;
    b. Be rated in a rating category of "AA" or its equivalent or better by at least one NRSRO;
    c. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio; and,
    d. No more than five percent of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.

15. **Mutual Funds and Money Market Mutual Funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940:

    a. No more than 10% invested in any one single mutual fund. This limitation does not apply to money market mutual funds;
    b. No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds;

c. A Mutual Fund must receive the highest ranking by not less than two nationally recognized rating agencies, or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635; and,
d. A Money Market Mutual Fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of $500 million.

IX. PORTFOLIO RISK MANAGEMENT

A. *Prohibited investment vehicles and practices*:

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options;
2. In accordance with California Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited;
3. Purchasing securities with a final maturity longer than five years from purchase settlement date, unless approved by the Board of Supervisors, is prohibited;
4. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunsetting January 1, 2031, securities backed by the U.S. Government that could result in zero or negative interest accrual if held to maturity are permitted;
5. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited;
6. Purchasing or selling securities on margin is prohibited;
7. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited;
8. The purchase of foreign currency denominated securities is prohibited; and,
9. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investments is prohibited.

B. *Mitigating credit risk in the portfolio*: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The County will mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section VIII are designed to mitigate credit risk in the portfolio;
2. No more than five percent of the total portfolio may be invested in securities of any single issuer, except for US government securities, LGIPs, Supranationals, and money market mutual funds, or unless otherwise specified in this policy;

3. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or County's risk preferences; and,
4. If a security's credit ratings owned by the County are downgraded to a level below the quality required by this Investment Policy, making the security ineligible for additional purchases, the following steps will be taken:

   a. Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner; and,
   b. If a decision is made to retain the security, the credit situation will be monitored and reported to the governing board.

C. *Mitigating market risk in the portfolio*: Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

   The County further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

   1. The County will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;
   2. The maximum stated final maturity of individual securities in the portfolio will be five years from the date of settlement, except as otherwise stated in this policy; and,
   3. The duration of the portfolio will at all times be approximately equal to the duration (typically plus or minus 20%) of a Market Benchmark Index selected by the County based on the County's investment objectives, constraints, and risk tolerances.

X. INVESTMENT OBJECTIVES (PERFORMANCE STANDARDS AND EVALUATION)

A. **Overall objective:** The investment portfolio will be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

B. **Specific objective:** The investment performance objective for the portfolio will be to earn a total rate of return over a market cycle which is approximately equal to the return on the selected Market Benchmark Index.

XI. Social and Environmental Concerns

In the event all general objectives mandated by state law and set forth in Section III above are met and created equal, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacture of tobacco products, firearms, or weapons not used in our national defense. Additionally, pursuant to the County's outlined desire to mitigate Climate Change and in respect to the Board of Supervisors Resolution 24-121 adopted September 10, 2024, the Treasury shall not invest any funds in securities issued by firms whose general business activities are classified as "Energy - Oil, Gas & Coal" according to the Bloomberg Industry Classification System.

XII. Procedures and Internal controls

A. *Procedures*: The Treasurer will establish written investment policy procedures in a separate investment procedures manual to assist investment staff with day-to-day operations of the investment program consistent with this policy. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy as designated in Appendix I and the procedures established by the Treasurer.

B. *Internal Controls*: The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. Internal controls will be described in the County's investment procedures manual.

XIII. Deposit and Withdrawal of Pooled Funds

A. *Deposits*: Funds will be accepted at all times from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the Treasury Pool. The County Treasurer, in conjunction with the Auditor, shall set conditions under which funds from local agencies not required to have their funds in the Treasury Pool may deposit voluntarily invested funds. Local agencies from outside the County will not be permitted to deposit funds in the Treasury Pool.

B. *Withdrawal Requests*: The Treasury will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Auditor at net asset value. Any requests to withdraw funds for purposes other than immediate cash flow needs, such as for external investing, are subject to the consent of the Treasurer.

In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made in writing to the Treasurer. When evaluating a request to withdraw funds, the Treasurer will take into account the effect of a withdrawal on the stability and predictability of the Pooled Investment Fund and the interests of other depositors. Any withdrawal for such purposes will be at the market value of the Pooled Investment Fund on the date of the withdrawal.

XIV. DIVESTMENT OF VOLUNTARY POOLED PARTICIPANTS

The Treasury purchases securities with the intent to hold them to maturity. To that end, funds are invested in securities that mature on dates consistent with the anticipated operating cash requirements of all Pool participants. Withdrawals of funds by Voluntary Pool Participants for any purpose not considered as funds being utilized for operations shall be prohibited unless the Voluntary Pool Participant divests from the Pool and completely withdrawals all funds, ending their relationship with the County Pool.

To initiate the divestment process, the agency shall send a letter to the County Treasurer requesting divestment from the Pool. The letter will indicate the specific legal authority the agency is using to divest from the Pool. The letter shall include the reasons the agency wishes to divest, acknowledgement that they will not be permitted to rejoin the Pool, and the timeline they wish to have the divestment completed.

Upon review of the letter and the divestment request approved by the County Treasurer, the two parties will agree upon a mutually beneficial date to completely withdraw the agency funds from the Pool. Once a mutually beneficial date is agreed upon the agency shall pass a resolution with the following requirements:

1. The agency will state their intent to divest from the County Pool.

2. The agency will relieve the County Treasurer and County of any fiduciary responsibility to the agency.

3. The agency will agree to hold harmless the County Treasurer and County for any adverse consequences the agency may face from divestment from the Pool.

4. The agency will acknowledge that the divestment is intended to be permanent, and that the agency may be prohibited from rejoining the Pool at a future date.

5. The agency will acknowledge that the divestment may cause an adverse impact on current Pool participants and that the County Treasurer, at their discretion, may mark the divestment to market.

6. The agency will add any other provisions to the resolution as required by state and local law.

The County Treasurer reserves the right to divest any Voluntary Pool Participant from the Pool if they withdraw funds for any purpose not considered as funds being utilized for operations without the consent of the County Treasurer.

XV. REPORTING, DISCLOSURE, AND PROGRAM EVALUATION

A. *Monthly Reports*: Monthly investment reports will be posted to the Treasurer's website. These reports will disclose, at a minimum, the following information about the risk characteristics of the County's portfolio:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, date of maturity, and interest rate;

2. A one-page summary report that shows:

   a. Average maturity of the portfolio and modified duration of the portfolio;

   b. Maturity distribution of the portfolio; and,

   c. Average portfolio credit quality.

3. A monthly transactions report.

B. *Quarterly Reports*: Investment reports will be provided to the Board of Supervisors on a quarterly basis. The quarterly report shall be submitted within 45 days following the end of the quarter. These reports will disclose all information provided in the monthly reports, as well as the following:

1. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and,

2. A statement that the County has adequate funds to meet its cash flow requirements for the next six months.

Policy adopted by the Mendocino County Board of Supervisors on January 6, 2026.

Appendix I

Authorized Personnel

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day-to-day operations, the following job classes are authorized to transact investment business and wire funds for investment purposes on behalf of the County of Mendocino:

Assistant Treasurer-Tax Collector
Investment Operations Analyst
Chief Deputy Treasurer-Tax Collector (Treasurer Division)
Treasury Specialist I/II
Senior Revenue Recovery Specialist

Appendix II

GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

- **FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- **FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- **FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "Freddie Mac" issues discount notes, bonds and mortgage pass-through securities.
- **FNMA.** Like FHLB and Freddie Mac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "Fannie Mae," issues discount notes, bonds and mortgage pass-through securities.
- **GNMA.** The Government National Mortgage Association, known as "Ginnie Mae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- **PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- **TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from their own position.

Callable. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Collateralized Mortgage Obligations (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper. The short-term unsecured debt of corporations.

Cost Yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

Coupon. The rate of return at which interest is paid on a bond.

Credit Risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Current Yield. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. Payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

Diversification. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

Duration. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

Federal Funds Rate. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

Federal Open Market Committee. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

Leverage. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

Liquidity. The speed and ease with which an asset can be converted to cash.

Local Agency Investment Fund (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

Local Government Investment Pool. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

Make Whole Call. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Margin. The difference between the market value of a security and the loan a broker makes using that security as collateral.

Market Risk. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

Market Value. The price at which a security can be traded.

Marking to Market. The process of posting current market values for securities in a portfolio.

Maturity. The final date upon which the principal of a security becomes due and payable. An investment's term or remaining maturity is measured from the settlement date until final maturity.

Medium Term Notes. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

Modified Duration. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

Money Market. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

Mortgage Pass-Through Securities. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Municipal Securities. Securities issued by state and local agencies to finance capital and operating expenses.

Mutual Fund. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

Nationally Recognized Statistical Ratings Organization (NRSRO).
A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

Negotiable CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

Placement service deposits. A private service that allows local agencies to invest in FDIC-insured deposits with one or more banks, savings and loans, and credit unions located in the United States. IntraFi (formerly known as CDARS) is an example of an entity that provides this service.

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Prepayment Speed. A measure of how quickly principal is repaid to investors in mortgage securities.

Prepayment Window. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

Primary Dealer. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

Prudent Person (Prudent Investor) Rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

Realized Yield. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

Regional Dealer. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

TREASURER. This is the elected Auditor-Controller/Treasurer-Tax Collector, acting in their capacity as the Treasurer of the County.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

PORTFOLIO SUMMARY

Mendocino County Cons | Account #70006 | As of June 30, 2026

Portfolio Characteristics

Average Modified Duration	1.28
Average Coupon	3.16%
Average Purchase YTM	3.61%
Average Market YTM	3.54%
Average Credit Quality*	AA+
Average Final Maturity	1.40
Average Life	1.39

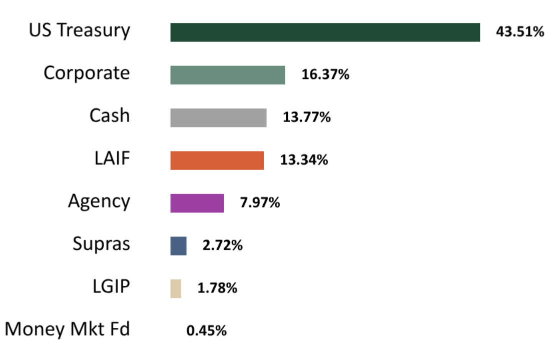
Account Summary

	End Values as of 05/31/2026	End Values as of 06/30/2026
Market Value	550,717,926.59	562,090,541.71
Accrued Interest	3,274,320.17	3,717,469.22
Total Market Value	**553,992,246.75**	**565,808,010.93**
Income Earned	1,102,575.59	1,741,735.64
Cont/WD	(16,153,040.85)	11,089,881.69
Par	554,169,484.48	566,264,492.57
Book Value	550,587,376.39	562,874,701.50
Cost Value	545,040,332.32	557,329,257.91

Top Issuers

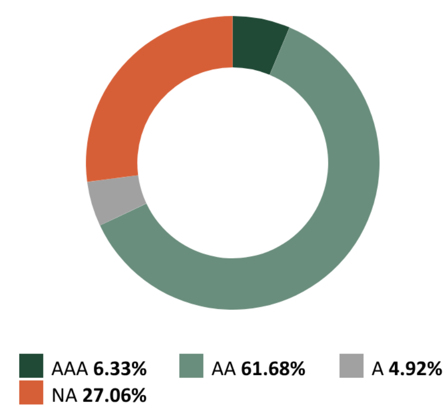
United States	43.51%
LAIF	13.34%
Checking Deposit	13.26%
Farm Credit System	4.49%
Federal Home Loan Banks	3.48%
California Asset Mgmt Program	1.78%
Inter-American Development Bank	1.33%
BNY Mellon Corp	1.16%

Sector Allocation



Maturity Distribution

Credit Quality*



*The average credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

Mendocino County Cons | Account #70006 | As of June 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
AGENCY MORTGAGE SECURITIES				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	30.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
ASSET-BACKED SECURITIES (ABS)				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
BANKERS' ACCEPTANCES				
Max % (MV)	40.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	180	0.0	Compliant	
Min Rating (A- by 2, A-1 by 2)	0.0	0.0	Compliant	
COLLATERALIZED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
COMMERCIAL PAPER				
Max % (MV)	40.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	270	0.0	Compliant	
Min Rating (A-1 by 1, A by 1)	0.0	0.0	Compliant	
CORPORATE MEDIUM TERM NOTES				
Max % (MV)	30.0	16.4	Compliant	
Max % Issuer (MV)	5.0	1.0	Compliant	
Max Maturity (Years)	5	3	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
FDIC INSURED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV)	20.0	0.1	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	

Mendocino County Cons | Account #70006 | As of June 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
Max Maturity (Years)	5	0.0	Compliant	
FEDERAL AGENCIES				
Max % (MV)	100.0	8.0	Compliant	
Max % Issuer (MV)	30.0	4.5	Compliant	
Max Callables (MV)	20.0	0.0	Compliant	
Max Maturity (Years)	5	2	Compliant	
LOCAL AGENCY INVESTMENT FUND (LAIF)				
Max Concentration (MV)	75.0	0.0	Compliant	
LOCAL GOVERNMENT INVESTMENT POOL (LGIP)				
Max % (MV)	100.0	1.8	Compliant	
MONEY MARKET MUTUAL FUNDS				
Max % (MV)	20.0	0.5	Compliant	
Max % Issuer (MV)	20.0	0.5	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
MORTGAGE-BACKED SECURITIES (NON-AGENCY)				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES (CA, LOCAL AGENCY)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES (CA, OTHER STATES)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
MUTUAL FUNDS				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	10.0	0.0	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
NEGOTIABLE CERTIFICATES OF DEPOSIT (NCD)				

Rules Name	Limit	Actual	Compliance Status	Notes
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A-1 by 1 or A- by 1 if > FDIC Limit)	0.0	0.0	Compliant	
REPURCHASE AGREEMENTS				
Max Maturity (Years)	1.0	0.0	Compliant	
SRI PROHIBITED INVESTMENTS				
Prohibited Investment - Fossil Fuels	0.0	0.0	Compliant	
Prohibited Investments - Firearms	0.0	0.0	Compliant	
Prohibited Investments - Tobacco	0.0	0.0	Compliant	
SUPRANATIONAL OBLIGATIONS				
Max % (MV)	30.0	2.7	Compliant	
Max % Issuer (MV)	10.0	1.4	Compliant	
Max Maturity (Years)	5	2	Compliant	
Min Rating (AA by 1)	0.0	0.0	Compliant	
U.S. TREASURIES				
Max % (MV)	100.0	43.5	Compliant	
Max Maturity (Years)	5	4	Compliant	

CHANDLER ASSET MANAGEMENT

Mendocino County Cons | Account #70006 | As of June 30, 2026

Maturities / Calls

Month to Date	**(7,000,000.00)**
Fiscal Year to Date	**(98,207,000.00)**

Principal Paydowns

Month to Date	**0.00**
Fiscal Year to Date	**0.00**

Purchases

Month to Date	**20,817,009.05**
Fiscal Year to Date	**409,056,938.88**

Sales

Month to Date	**(1,622,170.29)**
Fiscal Year to Date	**(316,357,366.40)**

Interest Received

Month to Date	**1,107,977.90**
Fiscal Year to Date	**16,353,267.23**

Purchased / Sold Interest

Month to Date	**(3,020.83)**
Fiscal Year to Date	**(596,921.52)**

Accrual Activity Summary

	Month to Date	Fiscal Year to Date (07/01/2025)
Beginning Book Value	550,587,376.39	565,480,940.42
Maturities/Calls	(7,000,000.00)	(98,207,000.00)
Principal Paydowns	0.00	0.00
Purchases	20,817,009.05	409,056,938.88
Sales	(1,622,170.29)	(316,357,366.40)
Change in Cash, Payables, Receivables	(101,143.17)	245,601.20
Amortization/Accretion	193,629.52	2,606,341.39
Realized Gain (Loss)	0.00	49,246.01
Ending Book Value	562,874,701.50	562,874,701.50

Fair Market Activity Summary

	Month to Date	Fiscal Year to Date (07/01/2025)
Beginning Market Value	550,717,926.59	568,817,939.31
Maturities/Calls	(7,000,000.00)	(98,207,000.00)
Principal Paydowns	0.00	0.00
Purchases	20,817,009.05	409,056,938.88
Sales	(1,622,170.29)	(316,357,366.40)
Change in Cash, Payables, Receivables	(101,143.17)	245,601.20
Amortization/Accretion	193,629.52	2,606,341.39
Change in Net Unrealized Gain (Loss)	(914,709.98)	(4,121,158.67)
Realized Gain (Loss)	0.00	49,246.01
Ending Market Value	562,090,541.71	562,090,541.71

Mendocino County Cons | Account #70006 | As of June 30, 2026

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
AGENCY									
3133EPZY4	FEDERAL FARM CREDIT BANKS FUNDING CORP 5.0 07/30/2026	4,000,000.00	10/31/2023 5.05%	3,995,640.00 3,999,873.81	100.09 3.82%	4,003,528.00 83,888.89	0.71% 3,654.19	Aa1/AA+ AA+	0.08 0.08
3133EPSW6	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.5 08/14/2026	7,500,000.00	08/09/2023 4.58%	7,482,750.00 7,499,307.48	100.06 3.91%	7,504,657.50 128,437.50	1.34% 5,350.02	Aa1/AA+ AA+	0.12 0.12
3130AWTQ3	FEDERAL HOME LOAN BANKS 4.625 09/11/2026	8,000,000.00	-- 5.01%	7,915,728.80 7,994,350.18	100.12 3.93%	8,009,856.00 113,055.56	1.43% 15,505.82	Aa1/AA+ AA+	0.20 0.19
3130B0TY5	FEDERAL HOME LOAN BANKS 4.75 04/09/2027	6,500,000.00	04/10/2024 4.84%	6,483,165.00 6,495,640.52	100.52 4.06%	6,533,566.00 70,326.39	1.16% 37,925.48	Aa1/AA+ AA+	0.77 0.75
3133ERDS7	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.75 05/06/2027	5,000,000.00	05/24/2024 4.80%	4,993,350.00 4,998,084.95	100.52 4.11%	5,026,185.00 36,284.72	0.89% 28,100.05	Aa1/AA+ AA+	0.85 0.82
3133ERGT2	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.5 06/11/2027	4,665,000.00	06/24/2024 4.53%	4,661,538.57 4,663,895.29	100.40 4.07%	4,683,426.75 11,662.50	0.83% 19,531.46	Aa1/AA+ AA+	0.95 0.91
3130AWTR1	FEDERAL HOME LOAN BANKS 4.375 09/08/2028	5,000,000.00	09/07/2023 4.49%	4,974,425.00 4,988,801.31	100.40 4.18%	5,019,795.00 68,663.19	0.89% 30,993.69	Aa1/AA+ AA+	2.19 2.04
3133EPWK7	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.5 09/22/2028	4,000,000.00	10/12/2023 4.71%	3,962,920.00 3,983,259.50	100.66 4.18%	4,026,516.00 49,500.00	0.72% 43,256.50	Aa1/AA+ AA+	2.23 2.07
Total Agency		**44,665,000.00**	**4.76%**	**44,469,517.37** **44,623,213.05**	**100.32** **4.02%**	**44,807,530.25** **561,818.75**	**7.97%** **184,317.20**		**0.82** **0.77**
CD									
90MEND$1601	Savings Bank of Mendocino County 3.00 03/03/2027	250,000.00	10/07/2025 3.00%	250,000.00 250,000.00	100.00 3.00%	250,000.00 7,315.07	0.04% 0.00	NA/NA NA	0.67 0.73
99MEND$1601	Community First Credit Union 3.55 03/30/2027	250,000.00	10/07/2025 3.55%	250,000.00 250,000.00	100.00 3.55%	250,000.00 7,772.26	0.04% 0.00	NA/NA NA	0.75 0.80
Total CD		**500,000.00**	**3.28%**	**500,000.00** **500,000.00**	**100.00** **3.28%**	**500,000.00** **15,087.33**	**0.09%** **0.00**		**0.71** **0.76**
CASH									
90CHECK$1	Checking Deposit Bank Account	74,529,094.64	-- 0.00%	74,529,094.64 74,529,094.64	1.00 0.00%	74,529,094.64 0.00	13.26% 0.00	NA/NA NA	0.00 0.00
90CASH$00	Custodial Cash Account	2,097,313.25	-- 0.00%	2,097,313.25 2,097,313.25	1.00 0.00%	2,097,313.25 0.00	0.37% 0.00	NA/NA NA	0.00 0.00
CCYUSD	Receivable	9,074.60	--	9,074.60 9,074.60	1.00	9,074.60 0.00	0.00% 0.00	Aaa/AAA AAA	0.00 0.00

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
CCYUSD	Receivable	743,013.70	--	743,013.70 743,013.70	1.00	743,013.70 0.00	0.13% 0.00	Aaa/AAA AAA	0.00 0.00
CCYUSD	Receivable	2.10	--	2.10 2.10	1.00	2.10 0.00	0.00% 0.00	Aaa/AAA AAA	0.00 0.00
Total Cash		**77,378,498.29**	**0.00%**	**77,378,498.29** **77,378,498.29**	**1.00** **0.00%**	**77,378,498.29** **0.00**	**13.77%** **0.00**		**0.00** **0.00**
CORPORATE									
857477CD3	STATE STREET CORP 5.272 08/03/2026	1,725,000.00	07/31/2023 5.27%	1,725,000.00 1,725,000.00	100.01 5.05%	1,725,179.40 37,387.27	0.31% 179.40	Aa3/A AA-	0.09 0.01
06428CAA2	BANK OF AMERICA NA 5.526 08/18/2026	4,000,000.00	08/24/2023 5.48%	4,005,440.00 4,000,087.66	100.08 4.82%	4,003,164.00 81,662.00	0.71% 3,076.34	Aa2/A+ AA	0.13 0.04
24422EXD6	JOHN DEERE CAPITAL CORP 5.15 09/08/2026	1,550,000.00	09/05/2023 5.18%	1,548,899.50 1,549,930.72	100.21 3.97%	1,553,180.60 25,056.18	0.28% 3,249.88	A1/A A+	0.19 0.18
437076CV2	HOME DEPOT INC 4.95 09/30/2026	1,335,000.00	11/27/2023 5.04%	1,332,076.35 1,334,741.95	100.13 4.38%	1,336,668.75 16,704.19	0.24% 1,926.80	A2/A A	0.25 0.16
713448FW3	PEPSICO INC 5.125 11/10/2026	4,000,000.00	-- 5.14%	3,998,336.95 3,999,799.29	100.30 4.25%	4,011,904.00 29,041.67	0.71% 12,104.71	A1/A+ NA	0.36 0.27
48125LRU8	JPMORGAN CHASE BANK NA 5.11 12/08/2026	1,325,000.00	12/05/2023 5.11%	1,325,000.00 1,325,000.00	100.35 4.27%	1,329,675.93 4,325.76	0.24% 4,675.93	Aa2/AA- AA	0.44 0.35
24422EXF1	JOHN DEERE CAPITAL CORP 4.5 01/08/2027	2,000,000.00	01/18/2024 4.52%	1,998,820.00 1,999,791.51	100.16 4.18%	2,003,220.00 43,250.00	0.36% 3,428.49	A1/A A+	0.53 0.50
17275RBQ4	CISCO SYSTEMS INC 4.8 02/26/2027	4,635,000.00	-- 4.80%	4,634,494.50 4,634,854.58	100.36 4.23%	4,651,491.33 77,250.00	0.83% 16,636.75	A1/AA- NA	0.66 0.55
57629W4S6	MASSMUTUAL GLOBAL FUNDING II 5.1 04/09/2027	2,000,000.00	05/28/2024 5.17%	1,996,400.00 1,999,028.52	100.67 4.20%	2,013,396.00 23,233.33	0.36% 14,367.48	Aa3/AA+ AA+	0.77 0.74
665859AW4	NORTHERN TRUST CORP 4.0 05/10/2027	4,000,000.00	11/28/2022 4.49%	3,921,560.00 3,984,863.30	99.81 4.22%	3,992,376.00 22,666.67	0.71% 7,512.70	A2/A+ A+	0.86 0.83
14913UAL4	CATERPILLAR FINANCIAL SERVICES CORP 5.0 05/14/2027	4,000,000.00	05/15/2024 4.89%	4,011,720.00 4,003,402.23	100.70 4.17%	4,027,868.00 26,111.11	0.72% 24,465.77	A1/A A+	0.87 0.84
009158AY2	AIR PRODUCTS AND CHEMICALS INC 1.85 05/15/2027	3,000,000.00	02/09/2024 4.71%	2,743,890.00 2,931,387.55	98.01 4.20%	2,940,177.00 7,091.67	0.52% 8,789.45	A3/A NA	0.87 0.85
437076DB5	HOME DEPOT INC 4.875 06/25/2027	1,000,000.00	06/24/2024 4.89%	999,500.00 999,836.07	100.59 4.25%	1,005,902.00 812.50	0.18% 6,065.93	A2/A A	0.99 0.87
023135BC9	AMAZON.COM INC 3.15 08/22/2027	3,000,000.00	06/26/2024 4.90%	2,848,380.00 2,945,069.04	98.80 4.23%	2,964,093.00 33,862.50	0.53% 19,023.96	A1/AA AA-	1.15 1.10

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
24422EWK1	JOHN DEERE CAPITAL CORP 4.15 09/15/2027	2,000,000.00	05/28/2024 4.94%	1,952,380.00 1,982,557.79	99.87 4.25%	1,997,498.00 24,438.89	0.36% 14,940.21	A1/A A+	1.21 1.15
89236TKJ3	TOYOTA MOTOR CREDIT CORP 4.55 09/20/2027	3,000,000.00	05/24/2024 5.07%	2,952,480.00 2,982,469.88	100.30 4.29%	3,009,060.00 38,295.83	0.54% 26,590.12	A1/A+ A+	1.22 1.16
58989V2K9	MET TOWER GLOBAL FUNDING 4.8 01/14/2028	5,000,000.00	01/30/2025 4.65%	5,020,500.00 5,010,687.38	100.46 4.49%	5,022,795.00 111,333.33	0.89% 12,107.62	Aa3/AA- AA-	1.54 1.43
46647PEU6	JPMORGAN CHASE & CO 4.915 01/24/2029	1,860,000.00	01/16/2025 4.92%	1,860,000.00 1,860,000.00	100.49 4.53%	1,869,024.72 39,868.84	0.33% 9,024.72	A1/A AA-	2.57 1.46
92826CAY8	VISA INC 3.8 02/12/2029	3,135,000.00	02/03/2026 3.84%	3,131,394.75 3,131,851.99	98.77 4.30%	3,096,583.71 45,997.42	0.55% (35,268.28)	Aa3/AA- NA	2.62 2.42
02079KBJ5	ALPHABET INC 3.7 02/15/2029	5,000,000.00	-- 3.74%	4,993,975.05 4,994,728.89	98.38 4.36%	4,918,835.00 70,916.67	0.88% (75,893.89)	Aa2/AA+ NA	2.63 2.43
857477CN1	STATE STREET CORP 4.53 02/20/2029	2,000,000.00	05/22/2025 4.48%	2,002,680.00 2,001,600.52	99.96 4.59%	1,999,142.00 32,968.33	0.36% (2,458.52)	Aa3/A AA-	2.64 1.54
002824BR0	ABBOTT LABORATORIES 3.7 03/09/2029	5,000,000.00	-- 3.76%	4,992,185.25 4,992,998.10	98.08 4.46%	4,904,245.00 57,555.56	0.87% (88,753.10)	Aa3/A+ NA	2.69 2.50
58933YBW4	MERCK & CO INC 3.85 03/15/2029	5,000,000.00	12/02/2025 3.88%	4,995,200.00 4,996,038.10	98.78 4.33%	4,939,010.00 56,680.56	0.88% (57,028.10)	Aa3/A+ NA	2.71 2.51
532457DK1	ELI LILLY AND CO 4.15 05/20/2029	5,000,000.00	-- 4.16%	4,998,938.80 4,998,979.47	99.48 4.34%	4,974,000.00 23,631.94	0.88% (24,979.47)	Aa3/AA- NA	2.89 2.68
67066GAQ7	NVIDIA CORP 4.35 06/15/2029	5,000,000.00	06/16/2026 4.34%	5,000,950.00 5,000,942.81	99.70 4.46%	4,984,935.00 7,854.17	0.89% (16,007.81)	Aa1/AA NA	2.96 2.74
69371RU53	PACCAR FINANCIAL CORP 4.3 06/18/2029	1,810,000.00	06/16/2026 4.34%	1,807,737.50 1,807,764.34	99.70 4.41%	1,804,615.25 2,810.53	0.32% (3,149.09)	A1/A+ NA	2.97 2.75
64952WFK4	NEW YORK LIFE GLOBAL FUNDING 4.6 12/05/2029	5,000,000.00	03/05/2025 4.56%	5,007,700.00 5,005,560.86	99.95 4.62%	4,997,365.00 16,611.11	0.89% (8,195.86)	Aa1/AA+ AAA	3.43 3.13
06406RCG0	BANK OF NEW YORK MELLON CORP 4.026 01/22/2030	4,000,000.00	-- 4.10%	3,998,895.40 3,999,016.37	98.61 4.50%	3,944,288.00 71,126.00	0.70% (54,728.37)	Aa3/A AA-	3.56 2.36
037833EZ9	APPLE INC 4.2 05/12/2030	2,000,000.00	06/18/2025 4.28%	1,993,020.00 1,994,488.65	99.77 4.27%	1,995,320.00 11,433.33	0.35% 831.35	Aaa/AA+ NA	3.87 3.51
Total Corporate		**92,375,000.00**	**4.54%**	**91,797,554.05 92,192,477.54**	**99.62 4.38%**	**92,015,012.69 1,039,977.34**	**16.37% (177,464.86)**		**1.82 1.60**
LAIF									
90LAIF$00	Local Agency Investment Fund State Pool	75,000,000.00	-- 3.82%	75,000,000.00 75,000,000.00	1.00 3.82%	75,000,000.00 0.00	13.34% 0.00	NA/NA NA	0.00 0.00

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
Total LAIF		**75,000,000.00**	**3.82%**	**75,000,000.00** **75,000,000.00**	**1.00** **3.82%**	**75,000,000.00** **0.00**	**13.34%** **0.00**		**0.00** **0.00**
LOCAL GOV INVESTMENT POOL									
90CAMP$00	CAMP	10,000,000.00	04/30/2025 3.77%	10,000,000.00 10,000,000.00	1.00 3.77%	10,000,000.00 0.00	1.78% 0.00	NA/AAAm NA	0.00 0.00
Total Local Gov Investment Pool		**10,000,000.00**	**3.77%**	**10,000,000.00** **10,000,000.00**	**1.00** **3.77%**	**10,000,000.00** **0.00**	**1.78%** **0.00**		**0.00** **0.00**
MONEY MARKET FUND									
261908107	DREYFUS TRS OBS CM INST	2,550,266.40	-- 3.54%	2,550,266.40 2,550,266.40	1.00 3.54%	2,550,266.40 0.00	0.45% 0.00	Aaa/ AAAm AAA	0.00 0.00
261908107	DREYFUS TRS OBS CM INST	727.88	-- 3.54%	727.88 727.88	1.00 3.54%	727.88 0.00	0.00% 0.00	Aaa/ AAAm AAA	0.00 0.00
Total Money Market Fund		**2,550,994.28**	**3.54%**	**2,550,994.28** **2,550,994.28**	**1.00** **3.54%**	**2,550,994.28** **0.00**	**0.45%** **0.00**		**0.00** **0.00**
SUPRANATIONAL									
45950KDF4	INTERNATIONAL FINANCE CORP 4.375 01/15/2027	3,805,000.00	11/29/2023 4.49%	3,792,595.70 3,802,837.98	100.15 4.09%	3,810,787.41 76,760.59	0.68% 7,949.42	Aaa/AAA NA	0.54 0.52
4581X0EM6	INTER-AMERICAN DEVELOPMENT BANK 4.375 02/01/2027	7,490,000.00	12/05/2023 4.41%	7,483,633.50 7,488,806.63	100.18 4.06%	7,503,257.30 136,536.46	1.33% 14,450.67	Aaa/AAA NA	0.59 0.56
459058KT9	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM 3.5 07/12/2028	4,000,000.00	07/20/2023 4.24%	3,869,160.00 3,946,510.59	98.71 4.17%	3,948,328.00 65,722.22	0.70% 1,817.41	Aaa/AAA NA	2.03 1.91
Total Supranational		**15,295,000.00**	**4.38%**	**15,145,389.20** **15,238,155.20**	**99.79** **4.09%**	**15,262,372.71** **279,019.27**	**2.72%** **24,217.50**		**0.95** **0.90**
US TREASURY									

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
912828Y95	UNITED STATES TREASURY 1.875 07/31/2026	7,500,000.00	04/27/2023 3.75%	7,071,679.69 7,489,202.01	99.85 3.67%	7,488,667.50 58,658.49	1.33% (534.51)	Aa1/AA+ AA+	0.08 0.08
912828YD6	UNITED STATES TREASURY 1.375 08/31/2026	7,500,000.00	04/21/2023 3.85%	6,922,265.63 7,471,231.19	99.60 3.80%	7,469,827.50 34,468.41	1.33% (1,403.69)	Aa1/AA+ AA+	0.17 0.16
912828YG9	UNITED STATES TREASURY 1.625 09/30/2026	7,500,000.00	04/27/2023 3.76%	6,991,113.28 7,462,982.66	99.46 3.81%	7,459,275.00 30,635.25	1.33% (3,707.66)	Aa1/AA+ AA+	0.25 0.25
91282CJC6	UNITED STATES TREASURY 4.625 10/15/2026	8,500,000.00	05/28/2024 4.82%	8,461,816.41 8,495,342.39	100.23 3.78%	8,519,652.00 82,706.63	1.52% 24,309.61	Aa1/AA+ AA+	0.29 0.29
912828U24	UNITED STATES TREASURY 2.0 11/15/2026	7,500,000.00	04/17/2023 3.86%	7,038,574.22 7,451,633.26	99.28 3.96%	7,445,857.50 19,157.61	1.32% (5,775.76)	Aa1/AA+ AA+	0.38 0.37
912828V98	UNITED STATES TREASURY 2.25 02/15/2027	3,500,000.00	12/12/2022 3.91%	3,277,695.31 3,466,617.85	98.92 4.01%	3,462,259.50 29,585.64	0.62% (4,358.35)	Aa1/AA+ AA+	0.63 0.61
91282CEF4	UNITED STATES TREASURY 2.5 03/31/2027	7,500,000.00	06/07/2023 4.11%	7,078,125.00 7,417,202.10	98.89 4.01%	7,416,795.00 47,131.15	1.32% (407.10)	Aa1/AA+ AA+	0.75 0.73
91282CEW7	UNITED STATES TREASURY 3.25 06/30/2027	6,000,000.00	10/21/2022 4.40%	5,707,734.38 5,937,786.73	99.16 4.12%	5,949,654.00 529.89	1.06% 11,867.27	Aa1/AA+ AA+	1.00 0.97
91282CFB2	UNITED STATES TREASURY 2.75 07/31/2027	7,500,000.00	05/25/2023 4.00%	7,141,113.28 7,407,164.21	98.54 4.15%	7,390,140.00 86,032.46	1.31% (17,024.21)	Aa1/AA+ AA+	1.08 1.04
91282CFH9	UNITED STATES TREASURY 3.125 08/31/2027	5,000,000.00	02/21/2023 4.23%	4,774,023.44 4,941,692.30	98.86 4.13%	4,942,970.00 52,224.86	0.88% 1,277.70	Aa1/AA+ AA+	1.17 1.12
91282CFM8	UNITED STATES TREASURY 4.125 09/30/2027	3,000,000.00	03/08/2023 4.44%	2,961,914.06 2,989,569.26	99.97 4.14%	2,999,181.00 31,106.56	0.53% 9,611.74	Aa1/AA+ AA+	1.25 1.19
91282CFU0	UNITED STATES TREASURY 4.125 10/31/2027	8,000,000.00	05/24/2024 4.66%	7,866,250.00 7,947,932.65	99.94 4.17%	7,995,312.00 55,597.83	1.42% 47,379.35	Aa1/AA+ AA+	1.34 1.27
9128283F5	UNITED STATES TREASURY 2.25 11/15/2027	11,500,000.00	-- 3.77%	10,789,375.00 11,281,309.77	97.46 4.17%	11,208,452.00 33,046.88	1.99% (72,857.77)	Aa1/AA+ AA+	1.38 1.33
9128283W8	UNITED STATES TREASURY 2.75 02/15/2028	7,500,000.00	05/08/2025 3.88%	7,279,101.56 7,370,342.22	97.79 4.17%	7,334,182.50 77,486.19	1.30% (36,159.72)	Aa1/AA+ AA+	1.63 1.55
91282CGT2	UNITED STATES TREASURY 3.625 03/31/2028	8,000,000.00	05/30/2024 4.65%	7,714,062.50 7,869,489.96	99.09 4.17%	7,926,872.00 72,896.17	1.41% 57,382.04	Aa1/AA+ AA+	1.75 1.66
91282CHE4	UNITED STATES TREASURY 3.625 05/31/2028	7,500,000.00	05/05/2025 3.83%	7,455,175.78 7,472,009.85	99.02 4.16%	7,426,170.00 23,027.66	1.32% (45,839.85)	Aa1/AA+ AA+	1.92 1.82
9128284V9	UNITED STATES TREASURY 2.875 08/15/2028	4,000,000.00	02/13/2024 4.29%	3,770,937.50 3,891,812.23	97.40 4.17%	3,895,936.00 43,204.42	0.69% 4,123.77	Aa1/AA+ AA+	2.13 2.01
91282CDF5	UNITED STATES TREASURY 1.375 10/31/2028	7,500,000.00	02/07/2025 4.33%	6,746,777.34 7,027,226.69	93.83 4.18%	7,037,400.00 17,374.32	1.25% 10,173.31	Aa1/AA+ AA+	2.34 2.25

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
9128285M8	UNITED STATES TREASURY 3.125 11/15/2028	7,500,000.00	03/18/2024 4.39%	7,104,492.19 7,298,295.66	97.66 4.17%	7,324,807.50 29,933.76	1.30% 26,511.84	Aa1/AA+ AA+	2.38 2.25
91282CEM9	UNITED STATES TREASURY 2.875 04/30/2029	7,500,000.00	12/02/2025 3.58%	7,332,714.84 7,360,954.30	96.58 4.17%	7,243,650.00 36,328.13	1.29% (117,304.30)	Aa1/AA+ AA+	2.83 2.67
9128286T2	UNITED STATES TREASURY 2.375 05/15/2029	7,500,000.00	03/17/2025 4.08%	7,015,722.66 7,165,564.89	95.21 4.16%	7,141,110.00 22,749.66	1.27% (24,454.89)	Aa1/AA+ AA+	2.87 2.73
91282CLC3	UNITED STATES TREASURY 4.0 07/31/2029	8,000,000.00	11/22/2024 4.31%	7,894,687.50 7,930,613.30	99.52 4.17%	7,961,872.00 133,480.66	1.42% 31,258.70	Aa1/AA+ AA+	3.08 2.82
91282CFJ5	UNITED STATES TREASURY 3.125 08/31/2029	3,000,000.00	12/18/2024 4.25%	2,857,265.63 2,903,706.32	96.91 4.17%	2,907,423.00 31,334.92	0.52% 3,716.68	Aa1/AA+ AA+	3.17 2.94
91282CLK5	UNITED STATES TREASURY 3.625 08/31/2029	5,000,000.00	12/04/2025 3.61%	5,002,734.38 5,002,317.71	98.40 4.17%	4,919,920.00 60,580.84	0.88% (82,397.71)	Aa1/AA+ AA+	3.17 2.92
91282CFL0	UNITED STATES TREASURY 3.875 09/30/2029	5,000,000.00	12/13/2024 4.26%	4,917,578.13 4,944,062.46	99.09 4.17%	4,954,690.00 48,702.19	0.88% 10,627.54	Aa1/AA+ AA+	3.25 2.99
91282CFT3	UNITED STATES TREASURY 4.0 10/31/2029	8,000,000.00	01/16/2025 4.40%	7,861,250.00 7,903,319.51	99.45 4.18%	7,955,936.00 53,913.04	1.42% 52,616.49	Aa1/AA+ AA+	3.34 3.07
91282CFY2	UNITED STATES TREASURY 3.875 11/30/2029	5,000,000.00	03/28/2025 4.02%	4,969,726.56 4,977,840.91	99.04 4.18%	4,951,760.00 16,410.52	0.88% (26,080.91)	Aa1/AA+ AA+	3.42 3.15
91282CGB1	UNITED STATES TREASURY 3.875 12/31/2029	6,000,000.00	05/12/2026 4.06%	5,961,796.88 5,963,206.48	99.02 4.18%	5,940,936.00 631.79	1.06% (22,270.48)	Aa1/AA+ AA+	3.50 3.24
91282CGJ4	UNITED STATES TREASURY 3.5 01/31/2030	8,000,000.00	12/31/2025 3.63%	7,961,250.00 7,965,976.88	97.75 4.18%	7,820,312.00 116,795.58	1.39% (145,664.88)	Aa1/AA+ AA+	3.59 3.28
91282CGQ8	UNITED STATES TREASURY 4.0 02/28/2030	5,000,000.00	06/03/2025 4.01%	4,997,460.94 4,998,036.26	99.39 4.18%	4,969,725.00 66,847.83	0.88% (28,311.26)	Aa1/AA+ AA+	3.67 3.33
91282CGZ8	UNITED STATES TREASURY 3.5 04/30/2030	5,000,000.00	12/09/2025 3.75%	4,948,828.13 4,955,312.46	97.58 4.19%	4,878,905.00 29,483.70	0.87% (76,407.46)	Aa1/AA+ AA+	3.83 3.52
91282CHF1	UNITED STATES TREASURY 3.75 05/31/2030	5,000,000.00	04/29/2026 3.96%	4,960,937.50 4,962,560.74	98.42 4.19%	4,920,900.00 15,881.15	0.88% (41,660.74)	Aa1/AA+ AA+	3.92 3.59
91282CHR5	UNITED STATES TREASURY 4.0 07/31/2030	7,500,000.00	03/26/2026 4.00%	7,499,414.06 7,499,448.11	99.27 4.19%	7,445,505.00 125,138.12	1.32% (53,943.11)	Aa1/AA+ AA+	4.08 3.67
91282CNX5	UNITED STATES TREASURY 3.625 08/31/2030	5,000,000.00	04/13/2026 3.93%	4,938,281.25 4,941,290.04	97.83 4.20%	4,891,600.00 60,580.84	0.87% (49,690.04)	Aa1/AA+ AA+	4.17 3.77
91282CPA3	UNITED STATES TREASURY 3.625 09/30/2030	7,500,000.00	01/08/2026 3.71%	7,473,632.81 7,476,277.17	97.80 4.20%	7,334,767.50 68,340.16	1.30% (141,509.67)	Aa1/AA+ AA+	4.25 3.86
91282CPD7	UNITED STATES TREASURY 3.625 10/31/2030	5,000,000.00	01/22/2026 3.84%	4,953,906.25 4,958,113.43	97.74 4.20%	4,887,110.00 30,536.68	0.87% (71,003.43)	Aa1/AA+ AA+	4.34 3.94

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
91282CJQ5	UNITED STATES TREASURY 3.75 12/31/2030	8,000,000.00	05/05/2026 4.07%	7,893,750.00 7,897,128.98	98.14 4.21%	7,850,936.00 815.22	1.40% (46,192.98)	Aa1/AA+ AA+	4.50 4.09
91282CPW5	UNITED STATES TREASURY 3.75 01/31/2031	5,000,000.00	05/18/2026 4.25%	4,894,140.63 4,896,790.20	98.11 4.21%	4,905,665.00 78,211.33	0.87% 8,874.80	Aa1/AA+ AA+	4.59 4.10
Total US Treasury		**248,500,000.00**	**4.07%**	**240,487,304.72 245,391,363.13**	**98.44 4.11%**	**244,576,133.50 1,821,566.53**	**43.51% (815,229.63)**		**2.31 2.14**
Total Portfolio		**566,264,492.57**	**3.61%**	**557,329,257.91 562,874,701.50**	**70.23 3.54%**	**562,090,541.71 3,717,469.22**	**100.00% (784,159.79)**		**1.40 1.28**
Total Market Value + Accrued						**565,808,010.93**			

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/ Disp Yield	Amount	Interest Pur/ Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	06/01/2026	261908107	326,562.50	DREYFUS TRS OBS CM INST	1.000	3.52%	(326,562.50)	0.00	(326,562.50)	0.00
Purchase	06/02/2026	261908107	2.15	DREYFUS TRS OBS CM INST	1.000	3.52%	(2.15)	0.00	(2.15)	0.00
Purchase	06/02/2026	261908107	18,847.00	DREYFUS TRS OBS CM INST	1.000	3.51%	(18,847.00)	0.00	(18,847.00)	0.00
Purchase	06/05/2026	261908107	115,000.00	DREYFUS TRS OBS CM INST	1.000	3.51%	(115,000.00)	0.00	(115,000.00)	0.00
Purchase	06/08/2026	261908107	33,853.75	DREYFUS TRS OBS CM INST	1.000	3.51%	(33,853.75)	0.00	(33,853.75)	0.00
Purchase	06/11/2026	261908107	104,962.50	DREYFUS TRS OBS CM INST	1.000	3.50%	(104,962.50)	0.00	(104,962.50)	0.00
Purchase	06/18/2026	69371RU53	1,810,000.00	PACCAR FINANCIAL CORP 4.3 06/18/2029	99.875	4.34%	(1,807,737.50)	0.00	(1,807,737.50)	0.00
Purchase	06/18/2026	261908107	192,262.50	DREYFUS TRS OBS CM INST	1.000	3.52%	(192,262.50)	0.00	(192,262.50)	0.00
Purchase	06/18/2026	261908107	11,250.00	DREYFUS TRS OBS CM INST	1.000	3.52%	(11,250.00)	0.00	(11,250.00)	0.00
Purchase	06/23/2026	67066GAQ7	5,000,000.00	NVIDIA CORP 4.35 06/15/2029	100.019	4.34%	(5,000,950.00)	(3,020.83)	(5,003,970.83)	0.00
Purchase	06/23/2026	261908107	74,375.00	DREYFUS TRS OBS CM INST	1.000	3.50%	(74,375.00)	0.00	(74,375.00)	0.00
Purchase	06/25/2026	261908107	24,375.00	DREYFUS TRS OBS CM INST	1.000	3.53%	(24,375.00)	0.00	(24,375.00)	0.00
Purchase	06/30/2026	261908107	363,750.00	DREYFUS TRS OBS CM INST	1.000	3.54%	(363,750.00)	0.00	(363,750.00)	0.00
Purchase	06/30/2026	90CHECK$1	11,652,444.42	Checking Deposit Bank Account	1.000	0.00%	(11,652,444.42)	0.00	(11,652,444.42)	0.00
Purchase	06/30/2026	90CASH$00	1,090,636.73	Custodial Cash Account	1.000	0.00%	(1,090,636.73)	0.00	(1,090,636.73)	0.00
Total Purchase			**20,818,321.55**				**(20,817,009.05)**	**(3,020.83)**	**(20,820,029.88)**	**0.00**
TOTAL ACQUISITIONS			**20,818,321.55**				**(20,817,009.05)**	**(3,020.83)**	**(20,820,029.88)**	**0.00**

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/ Disp Yield	Amount	Interest Pur/ Sold	Total Amount	Gain/Loss
DISPOSITIONS										
Maturity	06/18/2026	89236TJK2	(2,000,000.00)	TOYOTA MOTOR CREDIT CORP 1.125 06/18/2026	100.000	4.38%	2,000,000.00	0.00	2,000,000.00	0.00
Maturity	06/23/2026	3133EPNG6	(5,000,000.00)	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.375 06/23/2026	100.000	4.42%	5,000,000.00	0.00	5,000,000.00	0.00
Total Maturity			**(7,000,000.00)**				**7,000,000.00**	**0.00**	**7,000,000.00**	**0.00**
Sale	06/23/2026	261908107	(1,622,170.29)	DREYFUS TRS OBS CM INST	1.000	3.50%	1,622,170.29	0.00	1,622,170.29	0.00
Total Sale			**(1,622,170.29)**				**1,622,170.29**	**0.00**	**1,622,170.29**	**0.00**
TOTAL DISPOSITIONS			**(8,622,170.29)**				**8,622,170.29**	**0.00**	**8,622,170.29**	**0.00**
OTHER TRANSACTIONS										
Cash Transfer	06/23/2026	CCYUSD	(1,653,199.46)	Cash		0.00%	(1,653,199.46)	0.00	(1,653,199.46)	0.00
Cash Transfer	06/30/2026	CCYUSD	12,743,081.15	Cash		0.00%	12,743,081.15	0.00	12,743,081.15	0.00
Total Cash Transfer			**11,089,881.69**				**11,089,881.69**	**0.00**	**11,089,881.69**	**0.00**
Coupon	06/05/2026	64952WFK4	0.00	NEW YORK LIFE GLOBAL FUNDING 4.6 12/05/2029		4.56%	115,000.00	0.00	115,000.00	0.00
Coupon	06/08/2026	48125LRU8	0.00	JPMORGAN CHASE BANK NA 5.11 12/08/2026		5.11%	33,853.75	0.00	33,853.75	0.00
Coupon	06/11/2026	3133ERGT2	0.00	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.5 06/11/2027		4.53%	104,962.50	0.00	104,962.50	0.00
Coupon	06/18/2026	89236TJK2	0.00	TOYOTA MOTOR CREDIT CORP 1.125 06/18/2026		4.38%	11,250.00	0.00	11,250.00	0.00

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/ Disp Yield	Amount	Interest Pur/ Sold	Total Amount	Gain/Loss
Coupon	06/23/2026	3133EPNG6	0.00	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.375 06/23/2026		4.42%	109,375.00	0.00	109,375.00	0.00
Coupon	06/25/2026	437076DB5	0.00	HOME DEPOT INC 4.875 06/25/2027		4.89%	24,375.00	0.00	24,375.00	0.00
Coupon	06/30/2026	91282CEW7	0.00	UNITED STATES TREASURY 3.25 06/30/2027		4.40%	97,500.00	0.00	97,500.00	0.00
Coupon	06/30/2026	91282CJQ5	0.00	UNITED STATES TREASURY 3.75 12/31/2030		4.07%	150,000.00	0.00	150,000.00	0.00
Coupon	06/30/2026	91282CGB1	0.00	UNITED STATES TREASURY 3.875 12/31/2029		4.06%	116,250.00	0.00	116,250.00	0.00
Total Coupon			**0.00**				**762,566.25**	**0.00**	**762,566.25**	**0.00**
Dividend	06/30/2026	261908107	0.00	DREYFUS TRS OBS CM INST		3.53%	9,076.70	0.00	9,076.70	0.00
Total Dividend			**0.00**				**9,076.70**	**0.00**	**9,076.70**	**0.00**
TOTAL OTHER TRANSACTIONS			**11,089,881.69**				**11,861,524.64**	**0.00**	**11,861,524.64**	**0.00**

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By ____________________________________
Authorized Officer