

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

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 7, 2026

NEW ISSUE – BOOK ENTRY ONLY

RATING: S&P: “AA-”
(See “RATING” herein)

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California (“Special Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest (and original issue discount) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest (and original issue discount) is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Certificates, including with respect to the alternative minimum tax imposed on certain large corporations.

\$45,000,000*
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
Certificates of Participation, Series 2026
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

This cover page of the Official Statement contains information for general reference only. It is not a complete summary of the Certificates, the Trust Agreement, or the Lease. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates. Capitalized terms used but not otherwise defined on the cover page hereof shall have the meanings assigned herein.

The Antelope Valley Community College District Certificates of Participation, Series 2026 (the “Certificates”), are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2026 (the “Trust Agreement”), by and among U.S. Bank Trust Company, National Association, as trustee, the Public Property Financing Corporation of California (the “Corporation”), and the Antelope Valley Community College District (the “District”). The proceeds of the Certificates will be used to (i) finance the construction and improvement of certain District facilities (the “Project”), (ii) fund a reserve fund, and (iii) pay the costs related to the execution and delivery of the Certificates.

Pursuant to a Site Lease, dated as of November 1, 2026, the District will lease the site and improvements known as the Dr. Leslie S. Uhazy Hall for Health and Sciences, as further described herein (the “Property”), to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of November 1, 2026 (the “Lease”), by and between the Corporation and the District. The Certificates evidence fractional and undivided interests in lease payments to be made by the District (the “Lease Payments”), as lessee under the Lease, for use and possession of the Property. The District has covenanted to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. **The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property.**

The District has applied for a municipal bond insurance policy for the scheduled payment of principal and interest evidenced by the Certificates when due, which, if purchased, would be issued concurrently with the execution and delivery of the Certificates.

The Certificates will be delivered in book-entry form only, and will be initially delivered and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates, but will instead receive credit balances on the books of their respective nominees. The Certificates shall be dated their date of delivery and shall represent interest payable semiannually on each December 1 and June 1, commencing December 1, 2026. The Certificates shall be delivered in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The Certificates are subject to extraordinary, optional, and mandatory sinking fund prepayment prior to their stated maturity dates as further described herein.*

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the District to make Lease Payments is subject to the District’s beneficial use and possession of the Property.

Maturity Schedule*
(see inside front cover)

*The Certificates are offered when, as and if delivered and received by the Underwriters, subject to the approval as to legality by Stradling Yocca Carlson & Rauth LLP, San Francisco, California, as Special Counsel. Certain matters will be passed on for District by Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel, for the Underwriters by Kutak Rock LLP, Irvine, California and for the Trustee and the Corporation by their respective counsels. It is anticipated that the Certificates in book-entry form will be available for delivery to The Depository Trust Company in New York, New York on or about November 3, 2026.**

STIFEL

PIPER | SANDLER

The date of this Official Statement is _____, 2026.

* Preliminary, subject to change.

MATURITY SCHEDULE*

Base CUSIP⁽¹⁾:

\$45,000,000*

Antelope Valley Community College District
Certificates of Participation, Series 2026

\$_____ Serial Certificates

<u>Maturity</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	CUSIP⁽¹⁾ <u>Suffix</u>
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\$_____ – _____% Term Certificates due June 1, 20__ - Yield _____%; CUSIP⁽¹⁾ Suffix:

* Preliminary, subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriters and are provided for convenience of reference only. None of the District, Municipal Advisor, or the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

Certain of the information contained herein, other than that provided by the District, has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriters as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters.

No dealer, broker, salesperson or other person has been authorized by the District, the Corporation or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Certificates shall under any circumstances create any implication that there has been no change in the affairs of the District, the Corporation or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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 in this Official Statement, 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 Underwriters have provided the following sentence for inclusion in this Official Statement:

“The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or the completeness of such information.”

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

The District maintains a website and social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Certificates.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

Board of Trustees

Steve Buffalo, *President, Trustee Area 2*
Barbara Gaines, *Vice President, Trustee Area 5*
Michael Rives, *Clerk, Trustee Area 3*
Michelle Harvey, *Member, Trustee Area 1*
Michael Adams, *Member, Trustee Area 4*

District Administration

Dr. Jennifer Zellet, *Superintendent/President*
Shaminder Brar, *Assistant Superintendent/Vice President, Administrative Services*

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
San Francisco, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

TRUSTEE

U.S. Bank Trust Company, National Association
Los Angeles, California

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\$45,000,000*
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
Certificates of Participation, Series 2026
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
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ANTELOPE VALLEY COMMUNITY COLLEGE 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, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

This Official Statement provides certain information concerning the sale and delivery of the Antelope Valley Community College District Certificates of Participation, Series 2026 (the “Certificates”), evidencing the fractional and undivided interests of the Owners thereof (as hereinafter defined) in Lease Payments (as hereinafter defined) to be made by the Antelope Valley Community College District (the “District”) pursuant to a Lease/Purchase Agreement, dated as of November 1, 2026 (the “Lease”), by and between the Public Property Financing Corporation of California, as lessor (the “Corporation”), and the District, as lessee, for the use and possession of the real property and community college facilities thereon known as the Dr. Leslie S. Uhazy Hall for Health and Sciences (the “Property”).

The District

The Antelope Valley Community College District (the “District”) was established in 1929 and provides higher education in Los Angeles County (the “County”) and a portion of Kern County (together with the County, the “Counties”). The District operates Antelope Valley College (the “College”), which is situated on a 135-acre campus located in the City of Lancaster, California. The District also operates its Palmdale Center in the City of Palmdale, California. The College is fully accredited by the Accrediting Commission of Community and Junior Colleges (“ACCJC”). For fiscal year 2026-27, the District has projected a full-time equivalent student (“FTES”) count of 11,756.

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. Trustees are elected by trustee area. The management and policies of the District are administered by a Superintendent/President appointed by the Board who is responsible for day-to-day District operations as well as supervision of the District’s other key personnel. Dr. Jennifer Zellet currently serves as the District’s Superintendent/President.

For more information regarding the District, see also “ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein. The District’s audited financial statements for the fiscal year ended June 30, 2025 are attached hereto as APPENDIX C and should be read in their entirety. The discussion of the District’s financial history and the financial information contained herein does not purport to be complete or definitive.

* Preliminary, subject to change.

Purpose of the Certificates

The proceeds of the Certificates will be used to (i) finance the construction and improvement of certain District facilities (the “Project”), (ii) fund insurance a reserve fund, and (iii) pay certain costs related to the execution and delivery of the Certificates. See “THE PROJECT” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Security and Source of Payment of the Certificates

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2026 (the “Trust Agreement”), by and among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The District is required under the Lease to pay lease payments for the use and possession of the Property (the “Lease Payments”), as further described under “THE PROPERTY” herein. The District is also required to pay any taxes and assessments, and is responsible for all maintenance and repair of the Property.

Pursuant to an Assignment Agreement, dated as of November 1, 2026 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease and a Site Lease, dated as of November 1, 2026 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments and prepayments from the District under the Lease and rights as may be necessary to enforce the payment of such Lease Payments and prepayments. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates. The District has covenanted in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Lease Payments” herein. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS – Abatement” herein.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California (the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Description of the Certificates

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES” herein and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. The summaries and descriptions in the Official Statement of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and other agreements relating to the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in such documents.

Registration, Transfers and Exchanges. The Certificates will be executed and delivered as fully registered Certificates, 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 interests in the Certificates (the “Beneficial Owners”), under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates, but will instead receive credit balances on the books of their respective nominees. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” attached hereto. In the event that the book-entry only system described below is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement.

So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the “Owners,” “Certificate Owners” or “Holders” of the Certificates (other than under the caption “TAX MATTERS” herein and in APPENDIX B attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of interests in the Certificates.

Payments. The Certificates shall be dated as of their date of delivery and shall represent interest therefrom, payable semiannually on each December 1 and June 1, commencing December 1, 2026 (each, a “Certificate Payment Date”). Principal with respect to the Certificates shall be payable on each June 1, in the amounts and years as set forth on the inside cover page hereof.

Principal, premium, if any, and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered Owners of the Certificates and will be paid principal and interest by the Trustee, all as described herein. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

Prepayment.* The Certificates are subject to extraordinary prepayment, optional prepayment, and mandatory sinking fund prepayment as further described herein. See “THE CERTIFICATES – Prepayment” herein.

Denominations. The Certificates are being executed and delivered in minimum denominations of \$5,000 principal amount, or any integral multiple thereof.

Additional Certificates. Under the terms of the Trust Agreement, the District is authorized to sell Additional Certificates secured by Lease Payments for use and occupancy of the Property. See “THE CERTIFICATES – Additional Certificates” herein and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Trust Agreement” attached hereto.

Continuing Disclosure

The District has covenanted for the benefit of the Owners and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s Fiscal Year (presently ending on June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ending June 30, 2026, and to provide notices of the occurrence of certain listed events. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of

* Preliminary, subject to change.

1934, as amended. See “CONTINUING DISCLOSURE” herein, and APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

Concurrent Borrowing

Concurrently with the execution and delivery of the Certificates, the District expects to issue \$44,975,000 of its 2026 General Obligation Refunding Bonds (Forward Delivery) (the “2026 Refunding Bonds”) to refinance outstanding bonded indebtedness of the District. See “DISTRICT FINANCIAL INFORMATION – District Debt Structure” herein.

Professionals Involved in the Offering

U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee with respect to the Certificates. Stradling Yocca Carlson & Rauth LLP, San Francisco, California, is acting as Special Counsel and Disclosure Counsel to the District with respect to the Certificates. Fieldman, Rolapp & Associates, Inc., Irvine, California is acting as Municipal Advisor to the District with respect to the Certificates. The payment of fees for Special Counsel and Disclosure Counsel and the Municipal Advisor are contingent on the execution and delivery of the Certificates and the payment of the purchase price therefor by the Underwriters (as defined herein). Certain matters will be passed on for the Underwriters by Kutak Rock LLP, Irvine, California, and for the Trustee and the Corporation by their respective counsels. From time to time, Special Counsel represents the Underwriters on matters unrelated to the District or the Certificates.

Certificate Owners’ Risks

Certain events could affect the ability of the District to make the Lease Payments when due. See “RISK FACTORS” herein, for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

Forward Looking Statements

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

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the Assistant Superintendent/Vice President, Administrative Services, Antelope Valley Community College District, 3041 West Avenue K, Lancaster, California 93536, telephone: (661) 722-6300.

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

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

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

This Official Statement contains brief descriptions of, among other things, the District, the Corporation, the Certificates, the Trust Agreement, the Lease, the Assignment Agreement, the Site Lease and certain other matters relating to the security for the Certificates. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such documents will be available for inspection at the designated office of the Trustee after delivery of the Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement or the Lease.

The sale and delivery of the Certificates to potential investors is made only by means of the Official Statement.

THE PROJECT

The District expects to use the net proceeds of the Certificates to finance the construction of an Athletic Center, which includes the construction and improvement of a new gymnasium and athletics complex, tennis and pickle ball courts, and a parking lot (the “Project”). See “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE PROPERTY

The District is leasing the Property to the Corporation pursuant to the Site Lease and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of certain real property and improvements thereon currently known as the Dr. Leslie S. Uhazy Hall for Health and Sciences, located on the Antelope Valley College main campus (the “Property”). The Property was constructed originally in 2013 and encompasses approximately 105,085 square feet, including 9 classrooms, 26 critical care and natural and physical science labs and a Planetarium. The Property currently has a total estimated real property insured replacement value of \$65,243,718.

THE CERTIFICATES

General

The Certificates will be executed in the aggregate principal amount of \$45,000,000*. The Certificates will be dated the date of delivery (the “Date of Delivery”), and will be executed as fully registered book-entry Certificates, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof, and will mature on June 1 of each year, as set forth on the inside cover page hereof.

Interest with respect to the Certificates will be payable each Certificate Payment Date, commencing on December 1, 2026, at the rates per annum set forth on the inside cover page hereof. If a Certificate is executed: (i) as of a Certificate Payment Date, interest with respect thereto will be payable from the date thereof; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not a business day) (each, a “Record Date”) and before the following Certificate Payment Date, interest with respect thereto will be payable from such following Certificate Payment Date; or (iii) prior to or on November 15, 2026, interest with respect thereto will be payable from the Date of Delivery. Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments to be made by the District. To the extent Lease Payments are abated or not made under the Lease, all Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS – Abatement” herein. If the Lease is prepaid in part, for any reason, the Certificate Owner will be entitled only to the remaining Lease Payments.

Principal and premium, if any, with respect to the Certificates, will be payable upon surrender by the Owners thereof at the designated office of the Trustee. Interest with respect to the Certificates will be payable by wire transfer to a bank account within the United States that is on record with the Trustee as of the Record Date.

* Preliminary, subject to change.

Prepayment

Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any day, in whole or in part, from the proceeds of any insurance, performance bonds, or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof (collectively, "Net Proceeds"), which the Trustee shall deposit in the Prepayment Fund (as defined in the Trust Agreement) or other moneys deposited with the Trustee as provided in the Lease at least 45 days prior to the date set for such extraordinary prepayment and credited towards the prepayment made by the District pursuant to the Lease, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

Prepayments from Net Proceeds and the resulting prepayment of Certificates that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Certificates. See "RISK FACTORS – Extraordinary Prepayment from Net Proceeds" herein.

Optional Prepayment.* The Certificates maturing on and before June 1, 20__ are not subject to prepayment prior to their stated maturity dates. The Certificates maturing on and after June 1, 20__ are subject to optional prepayment prior to their stated maturities, in whole or in part, on any day on or after June 1, 20__, from any lawfully available source of funds in the event the District exercises its option under the Lease to prepay the principal component of the Lease Payments (in integral multiples of \$5,000), at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment.* The Certificates evidencing principal maturing on June 1, 20__ (the "Term Certificates") are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on June 1 of each year, on and after June 1, 20__, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of the Term Certificates to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending <u>June 1</u>	Principal Component <u>To Be Prepaid</u>
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⁽¹⁾ Maturity.

Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment, from the Outstanding Certificates not previously called for prepayment, as directed by the District or, if the District does not so direct, pro rata among maturities and within each maturity by lot.

Prepayment Procedures

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, (g) the rate of

interest payable with respect to each Certificate being prepaid, and (h) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount evidenced by such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be sent (i) by registered or certified mail, postage prepaid, to the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least twenty (20) days, but not more than forty-five (45) days, prior to the prepayment date, (ii) by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Depository on the date of mailing of notice to the Owners, and (iii) by registered or certified mail, postage prepaid, or overnight delivery service to the national Information Services that disseminate securities redemption notices, on the date notice is mailed to the Owners. Notice of prepayment shall also be sent as required by the Continuing Disclosure Certificate. Neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

“Depository” means The Depository Trust Company, 140 58th Street, Brooklyn, New York 11220.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Trustee or as the Trustee may select.

Notice having been given to the Owners of the Certificates as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund or as otherwise permitted by the Trust Agreement, the Certificates shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the designated office of the Trustee, said Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

Effect of Notice of Prepayment. If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee (or such other independent escrow agent as the District shall select) so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

Rescission of Notice of Prepayment. With respect to any notice of optional prepayment of Certificates, unless upon the giving of such notice such Certificates shall be deemed to have been defeased pursuant to the Trust Agreement, such notice shall state that such prepayment shall be conditional upon the receipt by the Trustee (or an independent escrow agent selected by the District) on or prior to the date fixed for such prepayment of the moneys necessary and sufficient to pay the principal, premium, if any, and interest with respect to such Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect, the Certificates shall not be subject to prepayment on such date and the Certificates shall not be required to be prepaid on such date. In the event that such notice of prepayment contains such a condition and such moneys are not so received, the prepayment shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the

persons to whom and in the manner in which the notice of prepayment was given, that such moneys were not so received. The District will also have the right to rescind any notice of optional prepayment, by written notice to the Trustee, on or prior to the date fixed for such prepayment. The Trustee will distribute a notice of such rescission in the same manner as the notice of prepayment was originally provided.

Additional Certificates

Pursuant to the Trust Agreement, the District may cause Additional Certificates to be executed and delivered without the consent of the Owners of the Certificates then-outstanding if certain conditions precedent are satisfied. In connection with the delivery of Additional Certificates, the Lease Payments due under the Lease would be increased. The Certificates then outstanding and the Additional Certificates will be secured on a parity under the Trust Agreement by Lease Payments and other amounts held in the funds established thereunder other than the Rebate Fund. Such Additional Certificates would be payable from legally available moneys of the District and be subject to appropriation. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Trust Agreement” attached hereto.

CERTIFICATE INSURANCE

The District has applied for a municipal bond insurance policy for the scheduled payment of principal and interest evidenced by the Certificates when due, which, if purchased, would be issued concurrently with the execution and delivery of the Certificates.

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SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

Lease Payments are required to be made by the District under the Lease on or before November 15 and May 15 of each year (each, a “Lease Payment Date”) for the use and possession of the Property for the period commencing as of the Date of Delivery and terminating on November 15, 20__, or extended as provided in the Lease. The Lease requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee under the Trust Agreement (the “Lease Payment Fund”). On each Certificate Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of such Lease Payments and will apply such amounts to make principal and interest payments represented by the Certificates when due.

The table below summarizes the semi-annual Certificate payment requirements of the District.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Semi-Annual Payments</u>	<u>Total Annual Payments</u>
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SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State, or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation.

General

Each Certificate represents a fractional and undivided interest in the Lease Payments and prepayments to be made by the District to the Trustee under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments and prepayments, to the Trustee for the benefit of the Owners. By the fifteenth day of each May and November (if such day is not a business day, the next succeeding business day), the District must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is equal to the amount necessary to pay the principal, if any, and interest due with respect to the Certificates on the next succeeding Certificate Payment Date.

Under the Lease, the District agrees to pay certain taxes, assessments, utility charges, and insurance premiums charged with respect to the Property and the Certificates and fees and expenses of the Trustee. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Property will not be subjected to loss or forfeiture.

The District's obligation to make Lease Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. Abatement would not constitute a default under the Lease and the Trustee would not be entitled in such event to pursue remedies against the District. See "RISK FACTORS – Abatement" herein.

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may retain the Lease and hold the District liable for all Lease Payments thereunder on an annual basis. Under no circumstances will the Trustee have the right to accelerate Lease Payments. See "RISK FACTORS – No Acceleration Upon Default" herein. The exercise of the remedies provided to the Trustee is subject to various limitations on the enforcement of remedies against public agencies. See also "RISK FACTORS – Limited Recourse on Default" herein.

Constitutional and Statutory Provisions Affecting Taxes and Appropriations

Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted to make. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS" herein.

Abatement

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (as well as Additional Payments) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments (as well as Additional Payments) due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. During abatement, available moneys on deposit in the Lease Payment Fund and the Reserve Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments and Additional Payments, as applicable.

If damage or destruction to the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments or other special sources of money, including without limitation proceeds of rental interruption insurance, are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only remedy available to the Trustee or Owners will be the proceeds from rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years during this period.

Notwithstanding the foregoing provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District's failure to have use and possession of the Property, such provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates Outstanding.

Reserve Fund

A debt service reserve fund (the "Reserve Fund") is established by the Trust Agreement in an amount equal to the Reserve Requirement. With respect to the Certificates, the term "Reserve Requirement" means, as of any calculation date, an amount equal to the lesser of (i) the maximum aggregate annual Lease Payments (in any Fiscal year, as defined in the Trust Agreement) then payable under the Lease, (ii) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (iii) 10% of the original par amount of the Certificates and/or the Additional Certificates, as applicable (less original issue discount if in excess of two percent (2%) of the stated prepayment amount at maturity). The full amount available in the Reserve Fund may be used by the Trustee in the event of abatement or failure by the District to make Lease Payments with respect to the Certificates. Subject to the requirements and restrictions contained in the Trust Agreement, the District may thereafter substitute a line of credit, letter of credit, an insurance policy, surety bond or any other comparable credit facility (each, a "Reserve Facility"), or alternatively cash, or any combination thereof, which in the aggregate makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement, as provided in the Trust Agreement.

The District is obligated to replenish the Reserve Fund up to the Reserve Requirement by paying reserve replenishment rent under the Lease ("Reserve Replenishment Rent") to the extent that amounts have been withdrawn from the Reserve Fund or a draw has been made on any Reserve Facility, thereby reducing the amounts available thereunder to pay principal or interest with respect to the Certificates, or there shall be a valuation deficiency in the Reserve Fund together with all amounts available under any Reserve Facility resulting from a decrease of 10% or more of the market value of the Permitted

Investments therein. Reserve Replenishment Rent will be paid, however, only if (i) Lease Payments are not in abatement, (ii) the amount of such Lease Payments is less than the fair rental value of the Property, and (iii) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Agreement to Lease; Term of Lease; Lease Payments – Lease Payments – Reserve Replenishment Rent” attached hereto.

To the extent that the conditions to payment of Reserve Replenishment Rent are satisfied under the Lease, the District will be obligated to pay Reserve Replenishment Rent to the Trustee regardless of whether or not the District is in default under the Lease. Interest or income received by the Trustee on investment of moneys in the Reserve Fund will be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement. In the event that amounts on deposit in the Reserve Fund exceed the Reserve Requirement, subject to the requirement of transfers to the Rebate Fund, such excess may, on or before May 15 and November 15 of each year, be transferred to the Lease Payment Fund to be applied to the Lease Payments next coming due from the District.

Lease Payments

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see “RISK FACTORS – Abatement” herein) and prepayment of Lease Payments (see “THE CERTIFICATES – Prepayment Procedures” herein), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments to be due and payable on each Lease Payment Date.

Any monies deposited in the Lease Payment Fund during the month preceding a Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited to the payment of Lease Payments due and payable on such Lease Payment Date.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on December 1 and June 1 of each year, commencing December 1, 2026, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make interest and principal payments, respectively, with respect to the Certificates as the same shall become due and payable, in the amounts specified in the Lease.

Additional Payments

In addition to the Lease Payments, the District shall also pay such Additional Payments as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including without limitation, all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, taxes of any sort whatsoever payable by the Corporation as a result of its interest in the Property or undertaking of the transactions contemplated in the Lease or the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement, including premiums or insurance maintained pursuant to the Lease to indemnify the Corporation and its employees, officers and directors, and the Trustee and its agents, successors and assigns. The District’s obligation to make Additional Payments will be abated in the event of, and to the extent of, substantial interference

with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. See “RISK FACTORS – Abatement” herein.

Title and Rental Interruption Insurance

Pursuant to the Lease, the District will obtain a California Land Title Association (“CLTA”) leasehold title insurance policy on the Property in an amount equal to the aggregate principal component of Certificates Outstanding. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers’ compensation insurance. The District is also obligated to procure and maintain casualty insurance providing coverage against loss or damage to the Property. The District is not required to maintain flood or earthquake insurance. See “RISK FACTORS – Natural Disasters; Absence of Earthquake Insurance” herein, and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Insurance” attached hereto.

The proceeds of any rental interruption insurance will be paid to the Trustee and deposited in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance award received by it either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which material damage or destruction to all or part of the Property substantially interferes with the District’s use and possession thereof. See “RISK FACTORS – Extraordinary Prepayment from Net Proceeds,” and “– Abatement” herein.

Defaults and Remedies

Upon an Event of Default with respect to the Certificates, as described below, the District will be deemed to be in default under the Lease, and the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease. Upon any such default, including a failure to pay Lease Payments, the Trustee as assignee of the Corporation may either (1) terminate the Lease and recover certain damages or (2) continue to collect rent from the District on an annual basis by seeking a separate judgment for that year’s defaulted Lease Payments and/or reenter the Leased Property and relet it. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Events of Default and Remedies” attached hereto. In the event of default, there is no remedy of acceleration of the District’s total Lease Payments due over the term of the Lease, and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto.

Events of Default under the Lease include (i) the failure of the District to pay any Lease Payment by the corresponding Lease Payment Date, (ii) the failure of the District to observe and perform any covenant, condition or agreement of the Trust Agreement or the Lease to be kept or performed by the District after notice and the elapse of a 30-day grace period, and (iii) the filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under the Lease to any execution, garnishment or attachment, or adjudication of the District as bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, all as more particularly

described in APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Events of Default and Remedies” attached hereto.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated uses of total proceeds, reflecting proceeds to be received from the sale of the Certificates, are as follows:

Sources

Principal Amount
Net Original Issue Premium
Total

Uses

Project Fund⁽¹⁾
Reserve Fund
Lease Payment Fund
Underwriters’ Discount
Delivery Costs⁽²⁾
Total

⁽¹⁾ Reflects the deposit to the Project Fund for Project Costs, net of delivery costs.

⁽²⁾ Includes all initial costs of executing and delivering the Certificates, including but not limited to the legal and municipal advisory fees, rating agency fees, printing fees, title insurance premium, the fees of the Trustee, bond insurance, and other miscellaneous costs of delivery.

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District’s ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is a general fund obligation of the District and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time.

Security for the Certificates

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments and Additional Payments from any source of legally available funds, and the District has covenanted in the Lease that it will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease.

Extraordinary Prepayment from Net Proceeds

Prepayment of the Certificates from Net Proceeds could be made as provided in the Trust Agreement, and the resulting prepayment of Certificates that were purchased at a price greater than the applicable prepayment price could reduce the otherwise expected yield on such Certificates.

Abatement

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (as well as Additional Payments) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments (as well as Additional Payments) due under the Lease will be adjusted or abated during any period in which, by reason of damage, destruction or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. During abatement, available moneys on deposit in the Lease Payment Fund and the Reserve Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments and Additional Payments, as applicable.

If damage or destruction to the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments or other special sources of money, including without limitation proceeds of rental interruption insurance, are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only remedy available to the Trustee or Owners will be the proceeds from rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years during this period.

Notwithstanding the foregoing provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District's failure to have use and possession of the Property, such provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates Outstanding.

Natural Disasters; Absence of Earthquake Insurance

The District, like much of the State, may be subject to unpredictable seismic activity, fires, floods, droughts and other natural disasters.

Flood Risk. The Property is located in a geographic area defined as Flood Zone X, which the Federal Emergency Management Agency has designated as an area with low-to-moderate flood risk. There are two distinct flood zones within Flood Zone X – unshaded, which indicates an area where the annual flood risk is less than 0.2% and may be protected from 100-year flood by a levee; and shaded, which indicates an area where the annual flood risk is between 0.2% and 1% (moderate risk). The 1% annual chance flood is referred to as the base flood or 100-year flood. The District is in the unshaded area of Flood Zone X, with the lowest risk score of 2.

The District is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, and currently does not have flood insurance on the Property being leased. Thus, if flooding activity caused significant damage to the Property, the value of such property could be adversely affected and an abatement of Lease Payments could occur. The District is not able to predict whether or to what extent these results might occur. The Property is not located within a 100-year/500-year flood plain. The District can make no representations regarding to the extent to which recent significant snowfall and precipitation, or any future winter storm activity or related rainfall, mudslides or flooding conditions, may impact District facilities or the assessed value of taxable property within the District, including the Property. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Abatement” herein.

Seismic Activity. The District is located in a seismically active region of the State, and several major faults run through portions of the District, including the San Andreas Fault. Seismic activity presents a potential risk for significant damage to buildings, roads and property within the District, including the Property. An earthquake of large magnitude could result in extensive damage to property within the District, including the Property, and could adversely affect the assessed valuation of property within the District, or more generally the region’s economy. The Property is not located within a liquefaction zone identified by the State Department of Conservation, California Geological Survey pursuant to the Seismic Hazards Mapping Act of 1990, however it is located approximately eight miles from the San Andreas Fault. The District is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property being leased, and does not anticipate doing so. Thus, if seismic activity, flooding or other natural disasters caused significant damage to the Property, the value of such property could be adversely affected. The District is not able to predict whether or to what extent such damage might occur.

State Oversight of School Construction. Public school construction in the State, including the community college facilities constructed on the Property, are entitled and approved through the California Division of State Architect (“DSA”), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the State building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Education Code Sections 17280 and 81130 *et seq.* (the “Field Act”). The Field Act sets forth structural design standards to enable school and college buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake.

Drought. California has experienced cyclical severe drought conditions over the past several years. According to the U.S. Drought Monitor, as of August 11, 2026, no portion of the County is currently classified as having drought conditions, while 34.36% of Kern County is classified in the

abnormally dry category. The District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future.

Wildfires. In addition, major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020, summer of 2021 and winter of 2025. The District did not sustain any damage as a result of the recent fires. However, serious and significant property damage has resulted in the County as a result of the current fires and other areas of the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

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 drought, wildfires, floods and heat waves. See also “—Flood Risk”, “—Seismic Activity”, “—Drought,” and “—Wildfires” above. 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.

Other Limitations on Liability

Although the District covenants to budget and appropriate annually to provide for Lease Payments, the District has not pledged its full faith and credit to such payment. In the event that the District’s revenue sources are less than its total obligations in any year, the District could choose to fund other District services before paying one or all of the annual Lease Payments.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

The enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

No Acceleration Upon Default

In the event of a default by the District, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and the Trustee would in the event of default be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State.

Limited Recourse on Default

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. Portions of the Property may not be easily recoverable, because they may be affixed to property not owned by the District and, even if recovered, may be of little or no value to others. Furthermore, due to the essential nature of the Property in relation to the District, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. The Trustee is not empowered to sell the Property for the benefit of the Owners. In the event of a default, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease. The District will be liable for Lease Payments only on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

Alternatively, the Trustee may terminate the Lease with respect to the Property and proceed against the District to recover damages pursuant to the Lease. Any suit for money damages would be subject to limitations on legal remedies against community college districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Substitution of Property

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Covenants with Respect to the Property – Substitution or Release of the Property" attached hereto. The Lease requires that any property which will comprise the Property after such a substitution must have a useful life and fair rental value at least equal to the useful life and fair rental value of the Property at the time of substitution. Such a replacement could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments and Additional Payments were to occur subsequent to such substitution.

Property Values

The District has estimated the value of the real property constituting the Property. See "THE PROPERTY" herein. The estimate makes certain assumptions which could affect the estimate of the property value. If any of these assumptions are proven incorrect, there could be a negative impact on value.

The estimates as to values are merely the opinions of the District as of the date the Property was last insured. The District has not sought the opinion of any appraiser. A different opinion of such value might be rendered by an appraiser.

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease, which is for a limited term, will be assigned to the Trustee. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease assigned to the Trustee.

Cybersecurity

The District, like many 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 is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District carries cybersecurity insurance.

No assurance can be given that the District’s efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the Trustee or the Dissemination Agent in connection with compliance by the District with its continuing disclosure undertakings. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners of the Certificates, e.g., systems related to the timeliness of payments on their respective Certificates or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate.

Considerations Regarding Certificate Insurance

The District has applied for municipal bond insurance for the scheduled payment of principal and interest evidenced by the Certificates when due which, if purchased, would be issued concurrently with the execution and delivery of the Certificates.

In the event of a default in the payment of principal and interest evidenced by the Certificates, when all or some becomes due, any Owner of such Certificates may have a claim under any municipal bond insurance policy (each, a “Policy”) secured in connection with the Certificates. Such a Policy may not insure against redemption premium, if any, with respect to the Certificates.

In the event that the provider of such a Policy (an “Insurer”) is unable to make payments of the principal or interest evidenced by the Certificates, as such payments become due under a Policy, such Certificates will be payable solely as otherwise described herein. In the event that an Insurer becomes obligated to make payments with respect to the Certificates, no assurance can be given that such event would not adversely affect the market price of such Certificates or the marketability or liquidity of such Certificates.

If a Policy is obtained, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer providing such a Policy, and its claim paying ability. Such Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of such an Insurer and of the ratings on the Certificates insured by such Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Certificates, or the marketability or liquidity for such Certificates.

None of the District, Municipal Advisor, or Underwriters have made independent investigations into the claims paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any such Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to make Lease Payments to pay principal and interest evidenced by the Certificates, and the claims paying ability of any such Insurer, particularly over the life of the investment.

THE CORPORATION

The Public Property Financing Corporation of California, a nonprofit public benefit corporation, was incorporated on April 18, 1991 pursuant to the Nonprofit Public Benefit Corporation Law of the State (Title 1, Division 2, Part 2 of the Corporations Code). The Corporation was organized for the primary purpose of providing financial assistance to public agencies in the State by acquiring, constructing, improving and financing various facilities, land and equipment, and by leasing facilities, land and equipment for the use of such public agencies.

The Corporation has no financial liability to the Owners of the Certificates with respect to the payment of Lease Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform.

DISTRICT FINANCIAL INFORMATION

Major Revenues

General. California community college districts (other than “community supported” districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, lottery funds, and other minor sources. Every community college district receives the same amount of State lottery funds on a per-student basis (which is typically less than 3% of general fund revenues), although lottery funds are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery requires the funds to be used for instructional purposes, and prohibits their use for capital purposes.

The major local revenue source is local property taxes that are collected from within district boundaries, with student enrollment fees accounting for most of the remainder. A small part of a community college district’s budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations, educational foundation contributions and sales or leases of property.

The sum of property taxes, student enrollment fees, EPA funds, and State aid comprise a district’s revenue limit. State funding is generally subject to the appropriation of funds in the State’s annual budget. Thus, decreases in State revenues may affect appropriations made by the State Legislature to community college districts.

“Community supported” community college districts (formerly referred to as “basic aid” districts) are those districts whose local property taxes, student enrollment fee collections, and EPA funds exceed the revenue allocation determined by the current State funding model. Thus, community supported districts do not receive any general apportionment funding from the State. The current law in the State allows these districts to keep the excess funds without penalty. The implication for community supported districts is that the legislatively determined annual cost of living adjustments (each, a “COLA”) and other politically determined factors are less significant in determining such districts primary funding sources.

Rather, property tax growth and the local economy become the determining factors. The District is not a community supported district.

Enrollment-Based Funding. California community college districts apportionments were previously funded pursuant to a system established by Senate Bill 361 (“SB 361”). SB 361 provided for a basic allocation (a “Basic Allocation”) based on the number of colleges, state-approved education centers and total enrollment, together with funding based on per-student rates for credit FTES, non-credit FTES and career development and college preparation (“CDCP”) non-credit FTES.

SB 361 specified that, commencing with the 2006-07 fiscal year, the minimum funding per FTES would be: (a) not less than \$4,367 per credit FTES; (b) at a uniform rate of \$2,626 per non-credit FTES; and (c) \$3,092 per CDCP FTES. Although CDCP FTES were initially funded at a lower rate than credit FTES, subsequent legislation effective as of the 2015-16 fiscal year set the minimum funding for CDCP FTES at the same level as credit FTES. Each such minimum funding rate was subject to COLAs, if any, funded through the State budgeting legislation in each fiscal year.

One unit of FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

In each fiscal year, the State budget established an enrollment cap on the maximum number of resident FTES, known as the “funded” FTES, for which a community college district would receive a revenue allocation. A district’s enrollment cap was based on the previous fiscal year’s reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap are considered “unfunded” FTES. Nonresident and international students are excluded from the State funding formula and pay full tuition.

Student Centered Funding Formula. Assembly Bill 1809 (“AB 1809”), the higher education trailer bill passed as part of the State budget for fiscal year 2018-19, implemented the current funding mechanism for community college districts referred to as the “Student Centered Funding Formula,” (the “SCFF”). The SCFF includes three components: (1) a base allocation (the “Base Allocation”) driven primarily by enrollment, (2) a supplemental allocation (the “Supplemental Allocation”) based on the number of certain types of low-income students, and (3) a student success allocation (the “Student Success Allocation”) that is calculated using various performance-based metrics.

The SCFF includes several hold-harmless provisions to provide districts greater financial stability in transitioning to the new formula: (i) for fiscal years 2018-19 through 2021-22, community college districts received no less in total apportionment funding than they received in 2017-18, adjusted for COLAs; (ii) for fiscal year 2022-23 and onward, districts will receive no less in apportionment funding per-student than they received in fiscal year 2017-18; and (iii) beginning in fiscal year 2018-19, districts receive the greater of the amount calculated by the SCFF for the current or prior year (excluding amounts districts receive pursuant to the provision summarized in (i) above.)

State budgetary legislation extended the hold harmless provisions of the SCFF through fiscal year 2024-25. In addition, Assembly Bill 183, the higher education budgetary trailer bill for fiscal year 2022-23, extended revenue protections for community college districts in a modified form, with the goal of avoiding sharp fiscal declines and supporting a smooth transition to the SCFF over time. Specifically, beginning in fiscal year 2025-26, a community college district will receive the greater of (i) the funding allocation calculated by the SCFF, or (ii) an amount equal to its fiscal year 2024-25 general purpose apportionment, the latter of which will represent a floor below which such district’s funding cannot drop.

This revised hold harmless provision does not include adjustments to reflect cumulative COLAs over time, so a district's hold harmless amount will not grow.

Base Allocation. The Base Allocation is composed of (1) a basic allocation based on the number of colleges, state-approved education centers and total enrollment, together with (2) funding for credit, non-credit and career development and college preparation ("CDCP") FTES. The Base Allocation was expected to constitute approximately 70% of Statewide funding for community college districts in fiscal year 2018-19, 65% in fiscal year 2019-20 and 60% in fiscal years 2020-21 and onward.

The SCFF provided a minimum funding level for credit FTES of \$3,727 for fiscal year 2018-19. For fiscal year 2019-20, the State budget for that year recalculated funding rates in the Base, Supplemental and Student Success Allocations so that 70% of SCFF funds would be allocated to the base allocation. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations (as further described herein) may vary by district. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts that were entitled to higher funding rates under the prior funding formula. Future provisions of COLAs and other adjustments will be subject to appropriation therefor in the annual State budget. Total funding for credit FTES will be based on a rolling three-year average of the funded credit FTES from the current fiscal year and the two immediately preceding fiscal years. Credit FTES associated with enrollment growth proposed in the annual budget act are excluded from the three-year average and will instead be added to the computed three-year rolling average. In computing the three-year average, credit FTES generated by incarcerated and special admit students is excluded and funded consistent with the prior funding formula.

Funding levels for non-credit and CDCP FTES are determined consistent with the prior funding formula. See "—Enrollment Based Funding" herein. Total funding for these categories will be based on actual non-credit and CDCP FTES for the most recent fiscal year. The table below shows a breakdown of the District's historical resident FTES figures for the last ten fiscal years, along with projected FTES for the current fiscal year.

RESIDENT FULL TIME EQUIVALENT STUDENTS⁽¹⁾
Fiscal Years 2016-17 through 2026-27
Antelope Valley Community College District

<u>Fiscal Year</u>	<u>Actual FTES</u>	<u>Funded FTES</u>
2016-17	10,567	10,567
2017-18	10,615	10,615
2018-19	11,032	10,764
2019-20	11,055	10,858
2020-21	9,199	11,067
2021-22	8,274	11,164
2022-23	9,043	11,164
2023-24	9,939	10,905
2024-25	11,278	11,121
2025-26	11,756	11,019
2026-27 ⁽²⁾	11,756	11,698

⁽¹⁾ One FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

⁽²⁾ Projected.

Source: Antelope Valley Community College District.

Supplemental Allocation. The Supplemental Allocation, accounting for approximately 20% of Statewide funding, will be distributed to districts based on their headcounts of students that receive

Federal Pell Grants, a student who is granted an exemption from nonresident tuition pursuant to Education Code Section 68130.5 (AB 540), and student fee waivers under Education Code Section 76300 (California College Promise Grant). The SCFF provided \$919 per qualifying student for fiscal year 2018-19. Headcounts are not unduplicated, such that districts will receive twice or three times as much supplemental funding for a student that falls into more than one of the aforementioned categories. Beginning in fiscal year 2019-20, the 2019-20 State budget recalculated funding rates for supplemental allocation so that in 2019-20, 20% of the SCFF funds would be allocated for the supplemental allocation. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations may vary by district.

Student Success Allocation. The Student Success Allocation will be distributed to districts based on their performance in various student outcome metrics, including obtaining various degrees and certificates, completing transfer-level math and English courses within a student's first year, and having students obtain a regional living wage within a year of completing community college. Each metric is assigned a point value, with some metrics weighted more than others. A single student outcome with more points will generate more funding. Outcome metrics for students that qualify for Federal Pell Grants and California College Promise Grants are eligible for additional funding. The student success allocation counts only the highest of all awards a student earned in the same year and will only count the award if the student was enrolled in the district in the year the award was granted. The student success allocation will also calculate based on the three-year rolling average of each metric. Outcome metrics for students that qualify for Federal Pell Grants, AB 540 and California College Promise Grants are eligible for additional funding. The Student Success Allocation accounted for 10% of statewide funding for community college districts in fiscal years 2018-19 and 2019-20. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations may vary by district.

Budget Procedures

On or before September 15, the Board of Trustees of a community college district is required under Section 58305 of the State Code of Regulations, Title 5, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges (the "Chancellor's Office"), submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the Governor, and by January 10 a proposed State budget is presented by the Governor to the State Legislature. The Governor's State budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she can support. The law requires the State Legislature to submit its approved budget by June 15, and by June 30 the Governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the Board of Governors and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of the State's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary.

This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

See "ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT – General Fund Budgeting" herein for more information regarding the District's recent budgets.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, State voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in the State's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is the 1989-90 fiscal year. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount under Proposition 98 guarantee (K-14 education aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40%. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth and per-capita personal income COLA.

Test 3 provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of 1% of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Redevelopment Revenues

The District receives pass-through tax increment revenues (the “Pass-Through Revenues”) from successor agencies to certain redevelopment agencies (the “Redevelopment Agencies” or “RDAs”) previously formed pursuant to the California Community Redevelopment Law (California Health and Safety Code Sections 33000 *et seq.*). Following the dissolution in 2012 of redevelopment agencies pursuant to Assembly Bill (“AB”) X1-26, as modified by AB 1484 and AB 104 and Senate Bill 107 (together, the “Dissolution Act”), the District continues to receive Pass-Through Revenues from the Auditor-Controller of the County paid on behalf of such successor agencies within the District’s boundaries. The Pass Through Revenues received by the District are deposited into the District’s Capital Outlay Projects Fund and do not offset against the State apportionments received by the District. The amount of Pass-Through Revenues received by the District from fiscal years 2019-20 through 2025-26, and a projected amount for fiscal year 2026-27, are shown in the following table.

TAX INCREMENT REVENUES Fiscal Years 2019-20 through 2026-27 Antelope Valley Community College District

<u>Fiscal Year</u>	<u>Tax Increment Revenues</u>
2019-20	\$2,324,635
2020-21	2,649,349
2021-22	2,709,577
2022-23	2,999,638
2023-24	3,204,470
2024-25	3,172,328
2025-26	3,516,887
2026-27 ⁽¹⁾	3,445,405

⁽¹⁾ Budgeted.

Source: Antelope Valley Community College District.

The District, however, can make no representations that the Pass-Through Revenues will continue to be received by the District in amounts consistent with prior years or as currently projected. The actual receipt of Pass-Through Revenues will depend upon, among other things, actual future growth in assessed

valuation, correct future implementation of contractual and statutory Pass-Through formulas and the Dissolution Act by the County Auditor-Controller, and no future statutory changes to the Dissolution Act.

State Budget Measures

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

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

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

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

- *Managed Care Organization (MCO) Tax* – A renewal of the MCO Tax, effective January 1, 2027, which is projected to increase revenues by \$575 million in fiscal year 2026-27, \$2.3 billion in fiscal year 2027-28 and 2028-29, and \$1.7 billion in fiscal year 2029-30, primarily to support the State Medi-Cal program and maintain targeted rate increases for primary, maternal and mental health care.
- *Business Tax Credit Limitation* – An extension of the temporary business tax credit limitation for an additional three years, which limits the amount by which carry-over business credits can reduce net tax liability. Beginning in 2030, the 2026-27 State Budget permanently limits the use of business tax credits to the greater of \$5 million or 70% of the tax liability. This is projected to increase State general fund revenues by \$1 billion in fiscal year 2026-27, \$3.3 billion in fiscal year 2027-28, \$4.7 billion in fiscal year 2028-29 and \$4.2 billion in fiscal year 2029-30.
- *Prewritten Software Tax* – An extension of an existing sales tax on prewritten software. This is projected to increase State general fund revenues by \$450 million in fiscal year 2026-27 and \$900 million annually thereafter.

For fiscal year 2025-26, the 2026-27 State Budget projects total general fund revenues and transfers of \$245.8 billion and authorizes expenditures of \$245.3 billion. The State is projected to end fiscal year 2025-26 with total reserves of approximately \$49.9 billion, including \$11.5 billion in the BSA, \$9.2 billion in the PSSSA and \$29.2 billion in traditional general fund reserves. For fiscal year 2026-27,

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

The 2025-26 State Budget sets the minimum funding guarantee in fiscal year 2026-27 at \$128.1 billion. The 2026-27 State Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2024-25 and 2025-26, setting them at \$124.9 billion and \$125.3 billion, respectively. These revised levels represent an increase of approximately \$29.2 billion over the three-year period relative to the State budget for fiscal year 2025-26, and an increase of approximately \$1.2 billion from the May Revision.

Test 1 of the minimum funding guarantee is projected to be in effect over the three-year period, meaning that the guarantee in these years is roughly equal to 40% of projected State general fund revenues and local property taxes. This percentage is not reduced to reflect enrollment adjustments, which increases per-pupil spending. In addition, the revised minimum funding guarantee level for fiscal year 2024-25 fully retires a \$8.3 billion maintenance factor payment due in that year. To mitigate against potential future reductions in revenues and manage resources, the 2026-27 State Budget maintains a \$3.9 billion settle-up amount in fiscal year 2025-26. If, in spring of 2027, revenues remain at the same or higher levels for fiscal year 2025-26, the State legislature will be required to pay this amount back to TK-14 school districts and will need to schedule this payment in State budgetary legislation, either from available funds or scheduled over multiple fiscal years.

Other significant features relating to community college district funding include the following:

- *General Apportionments* – \$440.5 million in ongoing Proposition 98 funding to provide a 4.31% COLA, of which 1.44% is discretionary. The 2025-26 State Budget also (i) provides \$13.3 million in ongoing Proposition 98 funding to adjust hold harmless funding levels by 1.44%, which is projected to be available to support any costs related to providing all employees with up to 14 weeks of paid pregnancy disability leave, as further described below, (ii) \$141 million in one-time Proposition 98 funding to provide a base adjustment and fully fund the SCFF in fiscal year 2025-26, (iii) \$97.8 million in ongoing Proposition 98 funding to fund a 1.5% enrollment growth in the SCFF in fiscal year 2026-27 and (iv) \$55.3 million in ongoing Proposition 98 funding to fund an additional 1% enrollment growth in fiscal year 2025-26. Finally, the 2026-27 State Budget provides \$47.7 million in ongoing Proposition 98 funding to allow the greater of the three-year rolling average or current year FTES to be incorporated into SCFF apportionment calculations.
- *Categorical Programs* – \$36.9 million in ongoing Proposition 98 funding to provide a 2.87% COLA for select categorical programs and the Adult Education Program.
- *Paid Pregnancy Leave* – The 2026-27 State Budget requires all TK-14 local educational agencies to provide all employees with up to 14 weeks of paid pregnancy disability leave, beginning on January 1, 2027. Costs of the benefit are expected to be absorbable within the additional discretionary LCFF funding described above.
- *Deferrals* – \$408.4 million in one-time Proposition 98 funding to fully repay deferrals for the SCFF.

- *Facilities* – \$736.9 million in one-time Proposition 2 bond funds to finance 10 new and 29 continuing community college facility improvement projects. The 2026-27 State Budget also provide \$120.7 million in one-time Proposition 98 funding to address deferred maintenance needs.
- *Student Supports* – \$147.2 million in one-time Proposition 98 funding for a flexible Student Support Block Grant for the community college system.
- *Resource Centers* – \$71.1 million in one-time Proposition 98 funding to support Dreamer resource centers. The 2026-27 State Budget also provides \$30 million in one-time Proposition 98 funding to support LGBTQ+ resource centers.
- *Calbright College* – \$53.1 million in ongoing Proposition 98 funding to support base operations of Calbright College, the first fully online California community college, as it transitions out of its startup capacity.
- *Common Cloud Data Platform* – \$41 million in Proposition 98 funding, of which \$5 million in ongoing, to fund the further scaling of the Common Cloud Data Platform across the community college system, which will leverage existing local districts’ student data systems to provide near real-time data reporting.
- *Prior Learning* – \$37 million in Proposition 98 funding, of which \$2 million is ongoing, to support and build upon the Credit For Prior Learning initiative, which is part of the Administration’s investments in the State Master Plan for Career Education.
- *California Indian Nations College* - \$42.6 million in one-time Proposition 98 funding, available over three years, to support the California Indian Nations College.
- *Student Equity and Achievement Program* - \$30.1 million in ongoing Proposition 98 funding for the Student Equity and Achievement Program, which was formed in 2018 and merged funding for three State initiatives relating to student success and support, basic skills and student equity.
- *Workforce Programs* – \$15.8 million in one-time Proposition 98 funding to support the Strong Workforce Program, which was formed in 2016 to support career technical education at California community colleges.
- *Artificial Intelligence* - \$15 million in one-time Proposition 98 funding to support the Future of Creative Industries Pilot Program, which was created in 2026 to provide training and resources to students at risk of being displaced by generative artificial intelligence in the entertainment industry, including voice actors, sound engineers, and employees at entry-level positions.
- *Food Service* - \$14.3 million in ongoing Proposition 98 funding to support the California Healthy School Food Pathway program, which is intended to strengthen the school food service workforce through apprenticeship and training programs.
- *Dual Enrollment* - \$10 million in one-time Proposition 98 funding to support the California Early College Demonstration Initiative, which is a regional pilot program focused on developing partnerships between local educational agencies and community college districts to expand and sustain equitable due enrollment and early college opportunities.

- *Financial Aid* – \$10 million in one-time Proposition 98 funding for community college financial aid administration offices.
- *Adult Learners* – \$9.7 million in one-time Proposition 98 funding, available over three years, to support a program providing comprehensive services to assist lower-income adult workers move into stable and higher-paying jobs.

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

Future Actions and Events. The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

Investment of District Funds

Most District funds are deposited with the Treasurer-Tax Collector of the County (the “Treasurer”) to the credit of the proper fund of the District. The Treasurer is responsible for the investment of the funds of the County, and certain classes of involuntary depositors such as school districts, community college districts (including District funds which will be used to make the Lease Payments) and certain special districts in the County, are required under state law to be deposited into the County treasury. In addition, certain agencies invest certain of their funds in the County treasury on a voluntary basis. Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the “Investment Pool”). For more information regarding the Investment Pool, see APPENDIX G – “LOS ANGELES COUNTY TREASURY POOL” attached hereto.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the Education Code, is to be followed by all State community college districts. The Governmental Accounting Standards Board (“GASB”) has released (i) Statement No. 34, which is effective for the District and makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted, and (ii) Statement No. 35, which is effective for the District and makes changes in the required content and format of annual financial statements for public colleges and universities. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

The District's audited financial statements for the year ended June 30, 2025 are included for reference in APPENDIX C attached hereto. The table below displays the a summary of the District's audited revenues, expenses and changes in net assets for fiscal years 2020-21 through 2024-25.

SUMMARY OF AUDITED REVENUES, EXPENDITURES AND CHANGES Fiscal Years 2020-21 through 2024-25 Antelope Valley Community College District

	2020-21 <u>Audited</u>	2021-22 <u>Audited</u>	2022-23 <u>Audited</u>	2023-24 <u>Audited</u>	2024-25 <u>Audited</u>
OPERATING REVENUES					
Tuition and Fees	\$11,366,129	\$9,655,130	\$11,853,037	\$13,079,118	15,102,706
Less: scholarship discounts and allowances	<u>(8,159,898)</u>	<u>(7,000,785)</u>	<u>(7,896,724)</u>	<u>(8,503,088)</u>	<u>(10,152,960)</u>
Net tuition and fees	3,206,231	2,654,345	3,956,313	4,576,030	4,949,746
Grants and contracts, non-capital					
Federal	25,668,512	35,197,977	24,691,351	12,810,638	15,373,142
State	<u>21,429,698</u>	<u>22,685,398</u>	<u>31,795,688</u>	<u>33,648,981</u>	<u>38,784,456</u>
TOTAL OPERATING REVENUES	50,304,441	60,537,720	60,443,352	51,035,649	59,107,344
OPERATING EXPENSES					
Salaries and Benefits ⁽¹⁾	85,365,679	68,836,624	83,839,618	90,557,281	101,217,420
Supplies, Materials, & Other Operating Expenses & Services	34,533,237	46,387,519	62,897,630	42,929,951	48,723,892
Depreciation	8,949,233	26,749,963	7,377,520	13,627,683	14,355,279
Payment to students / Student Financial Aid	<u>29,553,494</u>	<u>11,156,298</u>	<u>36,307,650</u>	<u>43,702,795</u>	<u>55,636,525</u>
TOTAL OPERATING EXPENSE	158,401,643	153,130,404	190,422,418	190,817,710	219,933,116
LOSS FROM OPERATIONS	(108,097,202)	(92,592,684)	(129,979,066)	(139,782,061)	(160,825,772)
NON-OPERATING REVENUES/(EXPENSES)					
State apportionments, non-capital	70,479,469	76,604,727	82,660,544	90,486,101	94,177,326
Local property taxes	8,165,381	8,439,034	9,844,393	10,209,823	10,449,127
State taxes and other revenues	6,218,883	297,615	4,080,257	2,347,099	6,778,960
Pell Grants	20,801,170	17,074,980	22,642,605	29,051,477	36,538,880
Investment income/expense – non-capital	1,436,155	(5,262,625)	(444,813)	11,297,008	9,757,412
Interest expense – capital asset-related debt	(15,066,443)	(13,533,502)	5,205,557	(9,333,326)	(135,966)
Transfer to trust fund	(434,905)	(803,322)	--	--	--
Other non-operating revenues	<u>19,102,789</u>	<u>5,382,874</u>	<u>7,139,115</u>	<u>6,225,741</u>	<u>5,372,221</u>
TOTAL NON-OPERATING EXPENSE	110,702,499	88,199,781	131,127,658	140,283,923	162,937,960
Income Before Other Revenues, Expenses, Gains or Losses	2,605,297	(4,392,903)	1,148,592	501,862	2,112,188
State apportionments capital	--	4,097,840	3,640,420	49,006	--
Local property taxes and revenues, capital	3,846,326	18,331,879	19,685,185	19,834,015	22,210,414
Other local capital revenue	<u>503,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
CHANGE IN NET POSITION	6,954,623	18,036,816	24,474,197	20,384,883	24,322,602
NET POSITION					
Net Position – July 1	116,083,713	93,100,946	110,285,640	134,758,172	155,173,589
Prior period adjustment	<u>(29,937,390)⁽²⁾</u>	<u>(852,122)⁽³⁾</u>	<u>(1,665)⁽⁴⁾</u>	<u>30,534⁽⁴⁾</u>	<u>(1,399,548)⁽⁵⁾</u>
Net Position – June 30	<u>\$93,100,946</u>	<u>\$110,285,640</u>	<u>\$134,758,172</u>	<u>\$155,173,589</u>	<u>178,096,643</u>

⁽¹⁾ Salary and employee benefits have been aggregated for presentation purposes.

⁽²⁾ Reflects various adjustments including to capital assets and long-term debt.

⁽³⁾ Reflects an adjustment due to the implementation of GASB Statement No. 87, which recognizes lease assets and liabilities and other minor adjustments.

⁽⁴⁾ Reflects minor beginning balance adjustments.

⁽⁵⁾ Reflects an adjustment of \$(1,124,869) due to the implementation of GASB Statement No. 101, which updated the recognition and measurement guidance for compensated absences, and a correction to deferred revenue in the amount of \$(274,679).

Source: Antelope Valley Community College District

General Fund Budgeting

The table below shows the District's general fund adopted budgets for the years 2022-23 through 2026-27 and ending general fund results for the fiscal years 2022-23 through 2025-26.

GENERAL FUND BUDGETING Fiscal Years 2022-23 through 2026-27 Antelope Valley Community College District

	Fiscal Year 2022-23		Fiscal Year 2023-24		Fiscal Year 2024-25		Fiscal Year 2025-26		Fiscal Year 2026-27
	<u>Budgeted⁽¹⁾</u>	<u>Actual⁽¹⁾</u>	<u>Budgeted⁽¹⁾</u>	<u>Actual⁽¹⁾</u>	<u>Budgeted⁽¹⁾</u>	<u>Actual⁽¹⁾</u>	<u>Budgeted⁽¹⁾</u>	<u>Actual⁽¹⁾</u>	<u>Budgeted⁽¹⁾</u>
REVENUES									
Federal	\$26,716,209	\$21,297,153	\$10,395,807	\$7,888,839	\$3,849,765	\$9,522,118	\$10,577,002	\$14,053,380	3,769,802
State ⁽²⁾	117,043,176	108,263,817	137,737,259	116,333,615	142,126,387	122,140,453	146,598,887	133,985,524	153,539,265
Local ⁽²⁾	<u>13,213,833</u>	<u>15,587,576</u>	<u>16,613,458</u>	<u>18,742,556</u>	<u>17,625,079</u>	<u>19,776,837</u>	<u>20,558,574</u>	<u>20,001,818</u>	<u>21,494,624</u>
Total Revenues	156,973,218	145,148,546	164,746,524	142,965,010	163,601,231	151,439,408	177,734,463	\$168,040,721	178,803,690
EXPENDITURES									
Academic Salaries	36,293,575	37,454,604	41,110,354	42,225,876	44,896,075	45,234,780	47,426,897	48,944,015	50,527,260
Classified Salaries	24,618,092	24,324,598	26,702,009	26,535,328	28,372,454	27,066,394	30,219,876	27,216,644	31,413,292
Employee Benefits	24,305,303	21,764,147	25,067,341	23,955,440	27,818,487	28,120,962	32,591,855	29,097,521	34,473,610
Supplies & Materials	9,969,158	6,650,616	20,354,031	4,799,669	11,427,589	3,977,090	9,768,871	4,725,151	8,938,761
Other Operating Expenses & Services	18,935,984	20,156,297	22,257,232	17,941,951	29,455,338	18,470,038	28,514,501	21,014,057	26,900,551
Capital Outlay	<u>3,545,234</u>	<u>6,158,240</u>	<u>3,660,599</u>	<u>6,242,715</u>	<u>2,727,458</u>	<u>2,095,177</u>	<u>2,333,042</u>	<u>5,548,153</u>	<u>2,282,120</u>
Total Expenditures	117,667,346	116,508,502	139,151,566	121,700,979	144,697,401	124,964,441	150,855,042	136,546,541	154,535,594
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,305,872	28,640,044	25,594,958	21,264,031	18,903,830	26,474,967	26,879,421	31,494,180	24,268,096
OTHER FINANCING SOURCES	--	11,019,574	--	150,000	--	--	293,953	--	527,509
OTHER OUTGO⁽³⁾	(36,125,682)	(27,692,250)	(21,508,295)	(3,292,022)	(23,964,524)	(3,521,510)	(22,339,948)	(23,510,367)	(34,518,803)
NET CHANGE IN FUND BALANCE	3,180,190	11,967,368	4,086,663	18,122,009	(5,060,694)	22,953,457	4,833,426	7,983,812	(9,723,198)
BEGINNING FUND BALANCE, JULY 1	43,138,780	43,138,780	55,104,481	55,104,481	73,317,363	73,317,363	95,996,866	95,996,880	103,980,692
Prior Year Adjustments	--	(1,667)	--	90,873	--	(273,954)	--	--	--
Adjusted Beginning Balance	--	<u>43,137,113</u>	--	<u>55,195,354</u>	--	<u>73,043,409</u>	--	--	--
ENDING FUND BALANCE, JUNE 30	<u>\$46,318,970</u>	<u>\$55,104,481</u>	<u>\$59,191,144</u>	<u>\$73,317,363</u>	<u>\$68,256,669</u>	<u>\$95,996,866</u>	<u>\$100,830,292</u>	<u>\$103,980,692</u>	<u>\$94,257,494⁽⁴⁾</u>

⁽¹⁾ From the District's CCFS-311 Reports filed with the California Community Colleges Chancellor's Office for fiscal years 2022-23 through 2026-27.

⁽²⁾ The District has historically had a conservative approach to budgeting. Even though the Chancellor's Office has issued guidance on minimum reserve levels at 5%, the District has adopted Board Policy and Administrative Policies to help mitigate risk in receiving State Funding. Per District policy, the unrestricted reserve must be no less than 12% with a budgeted target of no less than 15%. Additionally, the District has a resource allocation tied to institutional planning. The planning process is done ahead of the budget cycle with an imbedded budget contingency plan should revenues not materialize. The District has also established a \$500,000 contingency within the unrestricted general fund for categorical programs should funding not materialize to the level budgeted. During budget development, the District budgets 95% of prior year categorical revenues that gets tried up when the budget is adopted at the State level. See also, "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein

⁽³⁾ Principally reflects transfers to the Capital Outlay Fund (Fund 41).

⁽⁴⁾ The Ending Fund Balance includes \$7,300,000 which the District has allocated to the creation of a Pension Stabilization Fund.
Source: Antelope Valley Community College District.

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt obligations.

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

<u>Governmental Activities</u>	<u>Balance July 1, 2024</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2025</u>
General Obligation Bonds	\$422,405,917	--	\$49,996,187	\$9,630,000	\$462,772,104
Accreted Interest	4,084,473	--	2,747,845	--	6,832,318
Bond Premium	10,381,248	--	--	805,746	9,575,502
Certificates of Participation	9,920,000	--	--	--	9,920,000
COP Premium	593,407	--	--	31,232	562,175
Banked Faculty Load Time	559,951	--	--	6,211	553,740
Leases ⁽¹⁾	11,498,392	--	816,763	1,360,168	10,954,987
Compensated Absences	2,123,715	\$1,124,869 ⁽²⁾	145,608	175,890	3,218,302
Net Pension Liability	<u>73,206,536</u>	<u>--</u>	<u>--</u>	<u>237,686</u>	<u>72,968,850</u>
TOTAL	<u>\$534,773,639</u>	<u>\$1,124,869</u>	<u>\$53,706,403</u>	<u>\$12,246,933</u>	<u>\$577,357,978</u>

⁽¹⁾ The leases qualify as other than short-term leases under GASB Statement No. 87 (right-of-use leased assets) and GASB Statement No. 96 (right-of-use subscription based IT assets). For more information see "APPENDIX C – 2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

⁽²⁾ The adjustment of \$1,124,869 was due to the District's implementation of GASB Statement No. 101, which updated the recognition and measurement guidance for compensated absences.

Source: *Antelope Valley Community College District.*

Certificates of Participation. On November 17, 2022, the District executed and delivered \$9,920,000 of its 2022 Certificates (the "2022 Certificates"). Proceeds from the sale of the 2022 Certificates were used to finance facility improvements and the acquisition of land for future college facilities for the District.

Principal and interest represented by the 2022 Certificates and the Certificates are payable from lease payments to be made by the District pursuant to lease agreements entered into by the District for the use and possession of certain District sites and facilities. The annual lease payment obligations of the District in connection with the 2022 Certificates and the Certificates are shown on the following page.

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COMBINED ANNUAL LEASE PAYMENT SCHEDULE
Antelope Valley Community College District

Year Ending⁽¹⁾	2022 Certificates	The Certificates	Total Annual Lease Payments
2027	\$866,625.00		
2028	867,375.00		
2029	867,125.00		
2030	865,875.00		
2031	868,625.00		
2032	870,125.00		
2033	870,375.00		
2034	869,375.00		
2035	867,125.00		
2036	868,625.00		
2037	867,125.00		
2038	869,050.00		
2039	867,475.00		
2040	868,975.00		
2041	868,275.00		
2042	870,375.00		
Total	<u>\$13,892,525.00</u>		

⁽¹⁾ Year Ending on August 1 as to the 2022 Certificates with lease payments due semi-annually on February 1 and August 1.
Source: Antelope Valley Community College District..

General Obligation Bonds. The District has sold several series of general obligation bonds pursuant to voter-approved authorizations, as well general obligation refunding bonds to refinance certain of such outstanding bonded indebtedness. General obligation bonds of the District are payable solely from the levy of *ad valorem* property taxes within the District. The District's general fund is not a source of payment for such bonds. The following table presents summary information on the District's currently outstanding general obligation bonds (not including the 2026 Refunding Bonds).

Issuance	Initial Principal Amount	Principal Outstanding⁽¹⁾	Date of Delivery
Election of 2016 General Obligation Bonds, Series A ⁽²⁾	\$116,385,000.00	\$46,220,000.00	March 30, 2017
Election of 2016 General Obligation Bonds, Series A-1	33,615,000.00	7,145,000.00	March 30, 2017
Election of 2016 General Obligation Bonds, Series B	95,000,000.00	91,350,000.00	March 12, 2020
2020 General Obligation Refunding Bonds	125,685,000.00	111,685,000.00	March 12, 2020
2021 General Obligation Refunding Bonds	86,215,000.00	79,335,000.00	August 31, 2021
Election of 2016 General Obligation Bonds, Series C	54,995,916.35	54,995,916.35	November 30, 2022
Election of 2016 General Obligation Bonds, Series D	49,996,187.25	49,857,525.20	February 13, 2025

⁽¹⁾ As of September 1, 2026.

⁽²⁾ The outstanding Election of 2016 General Obligation Bonds, Series A (Federally Tax-Exempt) (the "2016 Series A Bonds") are expected to be refunded by the upcoming issuance of the 2026 Refunding Bonds. The District has entered into a purchase contract relating to the 2026 Refunding Bonds dated as of January 23, 2025 and are scheduled to be issued and delivered on November 3, 2026 in the aggregate principal amount of \$44,975,000.00.

Source: Antelope Valley Community College District..

The table on the following page shows the combined annual debt service schedule with respect to the currently outstanding general obligation bonded debt of the District, as well as the 2026 Refunding Bonds.

GENERAL OBLIGATION BONDS – ANNUAL DEBT SERVICE SCHEDULE
Antelope Valley Community College District

Year Ending (August 1)	2016 Series A-1 Bonds	2016 Series B Bonds	2020 Refunding Bonds	2021 Refunding Bonds	2016 Series C Bonds	2016 Series D Bonds	2026 Refunding Bonds	Total Annual Debt Service
2027	\$3,590,158.10	\$3,054,000.00	\$10,208,158.80	\$3,455,586.56	\$570,000.00	--	\$2,139,069.44	\$23,016,972.90
2028	3,932,164.00	3,054,000.00	9,663,470.80	3,450,834.26	800,000.00	\$55,000.00	3,090,500.00	24,045,969.06
2029	--	3,854,000.00	9,879,575.40	5,347,798.30	2,620,000.00	165,000.00	3,092,250.00	24,958,623.70
2030	--	3,922,000.00	10,164,251.80	4,660,244.66	2,855,000.00	285,000.00	4,091,750.00	25,978,246.46
2031	--	3,911,000.00	10,455,360.60	5,970,320.30	3,240,000.00	405,000.00	3,054,000.00	27,035,680.90
2032	--	4,149,000.00	10,756,189.70	6,282,251.36	3,360,000.00	540,000.00	3,053,250.00	28,140,691.06
2033	--	4,426,000.00	11,068,405.70	6,609,588.50	3,455,000.00	680,000.00	3,055,000.00	29,293,994.20
2034	--	3,840,000.00	11,393,602.20	7,820,929.96	3,565,000.00	830,000.00	3,054,000.00	30,503,532.16
2035	--	4,450,000.00	11,714,755.40	7,724,126.70	3,820,000.00	990,000.00	3,055,250.00	31,754,132.10
2036	--	3,734,000.00	12,052,774.60	7,124,787.96	5,935,000.00	1,165,000.00	3,053,500.00	33,065,062.56
2037	--	3,994,000.00	12,404,541.10	7,479,106.66	6,160,000.00	1,340,000.00	3,053,750.00	34,431,397.76
2038	--	4,042,000.00	12,764,854.70	7,845,445.30	6,620,000.00	1,535,000.00	3,055,750.00	35,863,050.00
2039	--	4,421,000.00	--	8,224,276.60	6,775,000.00	1,745,000.00	3,054,250.00	24,219,526.60
2040	--	4,632,600.00	--	8,615,632.46	7,130,000.00	1,960,000.00	3,054,250.00	25,392,482.46
2041	--	4,857,800.00	--	8,717,239.30	7,800,000.00	2,195,000.00	3,055,500.00	26,625,539.30
2042	--	5,085,600.00	--	--	17,330,000.00	2,445,000.00	3,052,750.00	27,913,350.00
2043	--	5,330,400.00	--	--	8,215,000.00	2,710,000.00	13,016,000.00	29,271,400.00
2044	--	5,591,000.00	--	--	8,635,000.00	2,985,000.00	13,476,750.00	30,687,750.00
2045	--	5,861,200.00	--	--	9,070,000.00	17,245,000.00	--	32,176,200.00
2046	--	3,800,000.00	--	--	11,875,000.00	18,060,000.00	--	33,735,000.00
2047	--	17,740,000.00	--	--	12,450,000.00	5,185,000.00	--	35,375,000.00
2048	--	14,260,000.00	--	--	--	22,830,000.00	--	37,090,000.00
2049	--	14,870,000.00	--	--	--	24,020,000.00	--	38,890,000.00
2050	--	15,450,000.00	--	--	--	25,325,000.00 ⁽²⁾	--	40,775,000.00
TOTAL	<u>\$7,522,322.10</u>	<u>\$148,329,600.00</u>	<u>\$132,525,940.80</u>	<u>\$99,328,168.88</u>	<u>\$132,280,000.00</u>	<u>\$109,370,000.00</u>	<u>\$75,557,569.44</u>	<u>\$730,238,601.22</u>

⁽¹⁾ Does not include debt service on the 2016 Series A Bonds expected to be refunded with proceeds of the 2026 Refunding Bonds.

⁽²⁾ The final maturity of the District's Election of 2016 General Obligation Bonds, Series D is payable on February 1, 2050.

Source: Antelope Valley Community College District.

Ad Valorem Property Taxation

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of ad valorem property or other taxation. Each Certificate represents a fractional and undivided interest in the Lease Payments and prepayments to be made by the District under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor.

District property taxes are assessed and collected by the Counties at the same time and on the same rolls as special district property taxes. Assessed valuations are the same for both District and county taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” A supplemental roll is developed when property changes hands or new construction is completed. Each of the Counties levies and collects all property taxes for property falling within the respective county’s taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the treasurer-tax collector or director of finance of each County, as applicable (each, a “Treasurer”). After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of \$10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and 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 respective tax-collecting authority of the Counties.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecure tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also “— Secured Tax Charges and Delinquencies” herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including community college districts, share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the Counties’ assessor, except for public utility property which is assessed by the State Board of Equalization (“SBE”). Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the State Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS” herein.

Property within the District has a total assessed valuation for fiscal year 2026-27 of \$55,317,747,708. The table on the following page represents a 10-year history of assessed valuations in the District as of the date the equalized assessment tax roll is established in August of each year, excluding exemptions granted after such date in each year.

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ASSESSED VALUATIONS
Fiscal Years 2017-18 through 2026-27
Antelope Valley Community College District

Los Angeles County Portion

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2017-18	\$30,274,968,534	\$5,355,029	\$900,908,733	\$31,181,232,296	--
2018-19	31,933,260,174	4,679,634	1,003,820,679	32,941,760,487	5.65
2019-20	33,591,245,197	4,684,838	1,471,916,263	35,067,846,298	6.45
2020-21	35,281,947,760	4,683,160	1,877,726,562	37,164,357,482	5.98
2021-22	36,913,221,076	3,536,483	1,557,009,156	38,473,766,715	3.52
2022-23	39,874,133,199	3,532,186	1,784,607,066	41,662,272,451	8.29
2023-24	42,097,934,770	3,529,458	2,010,931,392	44,112,395,620	5.88
2024-25	44,051,586,809	3,526,588	2,343,575,380	46,398,688,777	5.18
2025-26	46,294,274,676	4,959,801	2,331,221,596	48,630,456,073	4.81
2026-27	49,067,779,557	4,973,009	2,681,496,072	51,754,248,638	6.42

Kern County Portion

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2017-18	\$1,441,203,260	\$518,164	\$621,444,995	\$2,063,166,419	--
2018-19	1,515,350,204	518,164	607,780,964	2,123,649,332	2.93
2019-20	1,626,750,292	518,164	583,977,982	2,211,246,438	4.12
2020-21	1,702,158,152	--	584,232,249	2,286,390,401	3.40
2021-22	1,795,127,001	--	630,314,053	2,425,441,054	6.08
2022-23	1,994,309,598	--	731,191,451	2,725,501,049	12.37
2023-24	2,196,964,174	--	670,232,593	2,867,196,767	5.20
2024-25	2,330,717,708	--	801,170,429	3,131,888,137	9.23
2025-26	2,472,066,535	--	921,064,819	3,393,131,354	8.34
2026-27	2,614,744,694	--	948,754,376	3,563,499,070	5.02

Total District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2017-18	\$31,716,171,794	\$5,873,193	\$1,522,353,728	\$33,244,398,715	--
2018-19	33,448,610,378	5,197,798	1,611,601,643	35,065,409,819	5.48
2019-20	35,217,995,489	5,203,002	2,055,894,245	37,279,092,736	6.31
2020-21	36,984,105,912	4,683,160	2,461,958,811	39,450,747,883	5.83
2021-22	38,708,348,077	3,536,483	2,187,323,209	40,899,207,769	3.67
2022-23	41,868,442,797	3,532,186	2,515,798,517	44,387,773,500	8.53
2023-24	44,294,898,944	3,529,458	2,681,163,985	46,979,592,387	5.84
2024-25	46,382,304,517	3,526,588	3,144,745,809	49,530,576,914	5.43
2025-26	48,766,341,211	4,959,801	3,252,286,415	52,023,587,427	5.03
2026-27	51,682,524,251	4,973,009	3,630,250,448	55,317,747,708	6.33

Source: California Municipal Statistics, Inc. (except percent change).

Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce availability of financing for purchasers of property, outbreak of disease, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought, climate change or toxic contamination, could cause a reduction in the assessed value of taxable property within the District.

Assessed Valuation and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2026-27.

ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2026-27

Antelope Valley Community College District

	2026-27 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Agricultural/Rural	\$168,802,892	0.33%	1,427	0.69%
Commercial	4,700,792,300	9.10	2,335	1.13
Vacant Commercial	435,718,585	0.84	1,491	0.72
Industrial	2,356,565,943	4.56	1,221	0.59
Vacant Industrial	714,730,389	1.38	4,645	2.25
Recreational	152,604,071	0.30	158	0.08
Government/Social/Institutional	405,331,535	0.78	2,889	1.40
Miscellaneous	<u>161,867,489</u>	<u>0.31</u>	<u>1,511</u>	<u>0.73</u>
Subtotal Non-Residential	\$9,096,413,204	17.60%	15,677	7.60%
<u>Residential:</u>				
Single Family Residence	\$35,789,558,417	69.25%	104,815	50.80%
Condominium/Townhouse	585,511,740	1.13	3,601	1.75
Mobile Home	388,704,680	0.75	5,020	2.43
Mobile Home Park	198,534,208	0.38	104	0.05
2-4 Residential Units	539,355,294	1.04	1,564	0.76
5+ Residential Units/Apartments	1,575,861,397	3.05	446	0.22
Vacant Residential	<u>1,748,372,460</u>	<u>3.38</u>	<u>29,047</u>	<u>14.08</u>
Subtotal Residential	\$40,825,898,196	78.99%	144,597	70.08%
Other Vacant	\$1,760,212,851	3.41%	46,047	22.32%
Total	\$51,682,524,251	100.00%	206,321	100.00%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Jurisdiction. The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2025-26 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2025-26
Antelope Valley Community College District

<u>Jurisdiction:</u>	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Lancaster	\$17,914,351,260	34.44%	\$17,914,351,260	100.00%
City of Palmdale	19,113,848,251	36.74	19,113,848,251	100.00
Unincorporated Los Angeles County	11,602,256,562	22.30	149,571,930,505	7.76
Unincorporated Kern County	<u>3,393,131,354</u>	<u>6.52</u>	64,387,853,755	5.27
Total District	\$52,023,587,427	100.00%		
<u>Summary by County:</u>				
Los Angeles County	\$48,630,456,073	93.48%	\$2,183,758,873,676	2.23%
Kern County	<u>3,393,131,354</u>	<u>6.52</u>	124,368,109,073	2.73
Total District	\$52,023,587,427	100.00%		

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2026-27 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

PER PARCEL ASSESSED VALUATION OF SINGLE FAMILY HOMES

Fiscal Year 2026-27

Antelope Valley Community College District

	No. of Parcels	2026-27 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	104,815	\$35,789,558,417	\$341,455	\$314,513

2026-27 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	1,446	1.380%	1.380%	\$45,780,325	0.128%	0.128%
50,000 - 99,999	4,468	4.263	5.642	352,313,868	0.984	1.112
100,000 - 149,999	8,425	8.038	13.680	1,069,416,922	2.988	4.100
150,000 - 199,999	11,864	11.319	24.999	2,081,602,860	5.816	9.917
200,000 - 249,999	11,561	11.030	36.029	2,598,291,288	7.260	17.177
250,000 - 299,999	11,376	10.853	46.883	3,126,466,255	8.736	25.912
300,000 - 349,999	10,293	9.820	56.703	3,336,152,798	9.322	35.234
350,000 - 399,999	9,601	9.160	65.863	3,600,017,568	10.059	45.293
400,000 - 449,999	9,365	8.935	74.798	3,976,668,956	11.111	56.404
450,000 - 499,999	8,020	7.652	82.449	3,800,864,255	10.620	67.024
500,000 - 549,999	5,758	5.493	87.943	3,015,706,196	8.426	75.450
550,000 - 599,999	4,333	4.134	92.077	2,485,672,895	6.945	82.395
600,000 - 649,999	2,754	2.627	94.704	1,717,138,717	4.798	87.193
650,000 - 699,999	1,641	1.566	96.270	1,104,311,470	3.086	90.279
700,000 - 749,999	1,027	0.980	97.249	741,916,272	2.073	92.352
750,000 - 799,999	756	0.721	97.971	585,136,476	1.635	93.987
800,000 - 849,999	495	0.472	98.443	407,458,685	1.138	95.125
850,000 - 899,999	376	0.359	98.802	329,544,821	0.921	96.046
900,000 - 949,999	306	0.292	99.094	282,510,021	0.789	96.835
950,000 - 999,999	200	0.191	99.284	194,590,935	0.544	97.379
1,000,000 and greater	<u>750</u>	<u>0.716</u>	100.000	<u>937,996,834</u>	<u>2.621</u>	100.000
	104,815	100.000%		\$35,789,558,417	100.000%	

Source: California Municipal Statistics, Inc.

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Principal Taxpayers. The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2026-27 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representations as to 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.

20 LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2026-27
Antelope Valley Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2026-27 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Lockheed Corp.	Industrial	\$536,395,835	1.04%
2.	Lancaster Hospital Corporation	Hospital	284,444,369	0.55
3.	Mershop Antelope LLC	Shopping Center	162,097,733	0.31
4.	Wal Mart Real Estate Business Trust	Shopping Center	131,350,626	0.25
5.	Rami Darghalli	Shopping Center	115,169,360	0.22
6.	Northrop Grumman Corporation	Industrial	112,993,891	0.22
7.	Westcore Bravo Lancaster LLC	Industrial	106,080,081	0.21
8.	AG Cordova Park Owner LP	Apartments	93,143,428	0.18
9.	Solar Star California LLC	Power Generation	87,846,555	0.17
10.	NP AVLX Fox Field Building 2 LLC	Industrial	74,216,028	0.14
11.	Hastings Ranch Shopping Center	Shopping Center	73,947,066	0.14
12.	Granada Villas REI LLC	Apartments	72,961,227	0.14
13.	RIII ISC LA II LLC	Residential Development	69,153,886	0.13
14.	AG Sienna Heights Owner LP	Apartments	67,827,314	0.13
15.	Allegra Palmdale LLC	Industrial	64,621,198	0.13
16.	NP AV Logistics Center LP	Industrial	60,435,561	0.12
17.	Grandis Land Holding LLC	Vacant/Undeveloped	58,630,883	0.11
18.	Charter Communications	Communications	57,473,296	0.11
19.	Vereit Real Estate LP	Industrial	52,400,440	0.10
20.	Golden Spectrum Property LLC	Shopping Center	51,540,627	0.10
			<u>\$2,332,729,404</u>	<u>4.51%</u>

⁽¹⁾ The District's fiscal year 2026-27 local secured assessed valuation is \$51,682,524,251.
Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies. The following table shows secured *ad valorem* property tax levies within the portion of the District lying in the County, and amounts delinquent as of June 30, for fiscal years 2016-17 through 2025-26.

SECURED TAX LEVIES AND DELINQUENCIES
Fiscal Years 2016-17 through 2025-26
Antelope Valley Community College District
(Los Angeles County Portion)

	<u>Secured Tax Levies⁽¹⁾</u>	<u>Amount Delinquent as of June 30</u>	<u>% Delinquent as of June 30</u>
2016-17	\$7,981,412.08	\$94,508.45	1.18
2017-18	8,456,590.48	104,769.67	1.24
2018-19	8,921,209.42	121,557.85	1.36
2019-20	9,541,270.49	214,637.58	2.25
2020-21	10,123,445.29	172,161.92	1.70
2021-22	10,465,869.48	163,541.34	1.56
2022-23	11,302,970.70	176,330.61	1.56
2023-24	12,016,034.67	210,860.09	1.75
2024-25	12,672,352.65	317,267.23	2.50
2025-26	13,286,132.85	296,805.88	2.23

	<u>Secured Tax Levies⁽²⁾</u>	<u>Amount Delinquent as of June 30</u>	<u>% Delinquent as of June 30</u>
2016-17	\$7,294,030.59	\$160,898.80	2.21
2017-18	14,653,174.91	319,424.61	2.18
2018-19	15,350,291.09	347,300.79	2.26
2019-20	15,713,218.56	455,969.95	2.90
2020-21	14,918,448.61	399,472.98	2.68
2021-22	16,157,710.98	358,676.33	2.22
2022-23	16,011,048.24	390,271.71	2.44
2023-24	17,125,975.89	429,110.15	2.51
2024-25	19,329,162.66	724,190.66	3.75
2025-26	17,964,803.40	525,843.29	2.93

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds.

(2) General obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – “Teeter Plan”. Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan, local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the applicable county.

Los Angeles County. The County has not adopted the Teeter Plan, and, consequently, the Teeter Plan is not available to local taxing entities within the County, such as the District. The District’s receipt of property taxes within the County is therefore subject to delinquencies. The District is a member of the California Statewide Delinquent Tax Finance Authority (“CSDTFA”). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2024-25 fiscal year) such delinquencies were purchased from the District at a purchase price equal to 108.5% thereof. Any penalty charges collected

with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* tax receivables related to the payment of general obligation bonds of the District. Thus, the District's participation in CSDTFA's program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure payment of outstanding general obligation bonds. See also "– *Ad Valorem* Property Taxation" herein.

Kern County. The Board of Supervisors of Kern County has approved the implementation of the Teeter Plan, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Although the Kern County has adopted the Teeter Plan, the levy of *ad valorem* property taxes within Kern County for the District's general obligation bonds is not covered by the Teeter Plan. The District's receipt of property taxes within Kern County is therefore subject to delinquencies.

Tax Rates. Representative tax rate areas ("TRAs") located within the District in the County are Tax Rate Areas 6919, 5438, and 8925 and in Kern County Tax Rate Area 119-004. The table on the following page demonstrates the total tax rates, based on a percentage of *ad valorem* assessed valuation, levied by all taxing entities in these TRAs during the five-year period from fiscal years 2021-22 through 2025-26.

TYPICAL TAX RATES
Fiscal Years 2021-22 through 2025-26
Antelope Valley Community College District

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
<u>Los Angeles County TRA 6919⁽¹⁾</u>					
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Palmdale School District	.071206	.071306	.098848	.096543	.096048
Antelope Valley Union High School District	.023599	.022895	.020454	.020988	.027907
Antelope Valley Community College District	<u>.044242</u>	<u>.040601</u>	<u>.040781</u>	<u>.043355</u>	<u>.038641</u>
Total All Property Tax Rate	1.139047%	1.134802%	1.160083%	1.160886%	1.162596%
Palmdale Water District Zone E (Land Only)	<u>.264181</u>	<u>.230644</u>	<u>.259304</u>	<u>.178819</u>	<u>.235971</u>
Total Land Only Property Tax Rate	.264181%	.230644%	.259304%	.178819%	.235971%
<u>Los Angeles County TRA 5438⁽²⁾</u>					
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Lancaster School District	.065558	.062588	.065367	.066579	.066117
Antelope Valley Joint Union High School District	.023599	.022895	.020454	.020988	.027907
Antelope Valley Community College District	.044242	.040601	.040781	.043355	.038641
Antelope Valley-East Kern Water Agency	<u>.070490</u>	<u>.070490</u>	<u>.070490</u>	<u>.070490</u>	<u>.070490</u>
Total	1.203889%	1.196574%	1.197092%	1.201412%	1.203155%
<u>Los Angeles County TRA 8925⁽³⁾</u>					
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Acton-Agua Dulce Unified School District	.029028	.037898	.038000	.038326	.039422
Antelope Valley Community College District	.044242	.040601	.040781	.043355	.038641
Antelope Valley-East Kern Water Agency	<u>.070490</u>	<u>.070490</u>	<u>.070490</u>	<u>.070490</u>	<u>.070490</u>
Total	1.153760%	1.148989%	1.149271%	1.152171%	1.148553%
<u>Kern County TRA 119-004⁽⁴⁾</u>					
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Antelope Valley-East Kern Water District	.070490	.070490	.070490	.070490	.070490
Antelope Valley Community College District	.044242	.040601	.040781	.043355	.038641
Southern Kern Unified School District	<u>.141827</u>	<u>.128818</u>	<u>.124007</u>	<u>.102160</u>	<u>.162955</u>
Total	1.256559%	1.239909%	1.236278%	1.216005%	1.272086%

⁽¹⁾ 2025-26 assessed valuation of TRA 6919 is \$1,417,383,588 which is 2.72% of the district's total assessed valuation.

⁽²⁾ 2025-26 assessed valuation of TRA 5438 is \$1,171,556,621 which is 2.25% of the district's total assessed valuation.

⁽³⁾ 2025-26 assessed valuation of TRA 8925 is \$692,493,401 which is 1.33% of the district's total assessed valuation.

⁽⁴⁾ 2025-26 assessed valuation of TRA 119-004 is \$1,131,870,007 which is 2.18% of the district's total assessed valuation.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. dated as of July 30, 2026, for debt issued as of September 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.

The table shows the percentage of each overlapping entity’s assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity’s existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
Antelope Valley Community College District

2025-26 Assessed Valuation: \$52,023,587,427

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/26</u>
Los Angeles County Flood Control District	0.334%	\$334,000
Antelope Valley Community College District	100.000	440,588,441⁽¹⁾
Acton-Agua Dulce Unified School District	100.000	4,440,665
Southern Kern Unified School District	100.000	71,626,104
Antelope Valley Union High School District	100.000	72,535,418
Lancaster School District	100.000	104,224,908
Palmdale School District	100.000	224,753,539
Westside Union School District	100.000	24,331,794
Other School Districts	Various	19,244,605
Lighting Districts	0.027-100.	8,952,145
Community Facilities Districts	100.000	137,266,172
1915 Act Bonds	100.000	<u>35,235,851</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,143,199,642

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	2.227%	\$83,099,345
Los Angeles County Superintendent of Schools Certificates of Participation	2.227	29,835
Kern County General Fund Obligations	2.728	2,256,485
Kern County Pension Obligation Bonds	2.728	1,039,777
Kern County Board of Education Certificates of Participation	2.728	739,015
Antelope Valley Community College District Certificates of Participation	100.000	9,200,000⁽²⁾
Acton-Agua Dulce Unified School District Certificates of Participation	100.000	895,000
Antelope Valley Union High School District General Fund Obligations	100.000	2,600,000
Lancaster School District Certificates of Participation	100.000	4,885,000
Palmdale School District Certificates of Participation	100.000	15,517,915
Other School District General Fund Obligations	Various	1,078
City of Lancaster General Fund Obligations	100.000	115,230,000
City of Palmdale Certificates of Participation	100.000	<u>67,462,722</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$302,956,172
Less: City of Lancaster bonds supported by solar revenues		<u>21,735,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$281,221,172

<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Lancaster Redevelopment Agency	100.000%	\$ 96,893,000
Successor Agency to Palmdale Redevelopment Agency	100.000	<u>34,790,585</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$131,683,585

GROSS COMBINED TOTAL DEBT	\$1,577,839,399 ⁽³⁾
NET COMBINED TOTAL DEBT	\$1,556,104,399

<u>Ratios to 2025-26 Assessed Valuation:</u>	
Direct Debt (\$440,588,441)	0.85%
Total Direct and Overlapping Tax and Assessment Debt	2.20%
Combined Total Debt (\$449,788,441)	0.86%
Gross Combined Total Debt	3.03%
Net Combined Total Debt	2.99%

<u>Ratios to Redevelopment Incremental Valuation (\$20,196,265,691):</u>	
Overlapping Tax Increment Debt	0.85%

⁽¹⁾ Excludes the 2026 Refunding Bonds but includes the 2016 Series A Bonds.

⁽²⁾ Excludes the Certificates.

⁽³⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

Introduction

The District was established in 1929 and provides higher education in the Counties. The District operates Antelope Valley College (previously defined as the “College”), which is situated on a 135-acre campus located in the City of Lancaster, California. The District also operates its Palmdale Center in the City of Palmdale, California. The College is fully accredited by the ACCJC. For fiscal year 2026-27, the District has projected an FTES count of 11,756.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Antelope Valley Community College District, Attention: Assistant Superintendent/Vice President, Administrative Services, 3041 West Avenue K, Lancaster, California 93536.

Administration

The District is governed by a five-member Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The following table shows the current members and terms of the Board.

BOARD OF TRUSTEES Antelope Valley Community College District

<u>Name</u>	<u>Trustee Area</u>	<u>Office</u>	<u>Term Expires</u>
Steve Buffalo	2	President	November 2026
Barbara Gaines	5	Vice President	November 2026
Michael Rives	3	Clerk	November 2028
Michelle Harvey	1	Member	November 2028
Michael Adams	4	Member	November 2026

The Superintendent/President of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Jennifer Zellet is currently the District’s Superintendent/President. Brief biographies of the Superintendent and the Assistant Superintendent/Vice President, Administrative Services follow:

Dr. Jennifer Zellet, Superintendent/President. Dr. Zellet became the Superintendent/President of the District on July 1, 2022. Prior to her role as the Superintendent/President, she served as the Vice President of Instruction at Modesto Junior College. She has 23 years of higher education experience as Associate Professor and Dean of the College of Arts and Sciences at Rochester College, and as English faculty, Dean of Business, Behavioral and Social Sciences, and Vice President of Instruction at Modesto Junior College. Dr. Zellet earned her Master of Letters in Scottish and Irish Studies and her Doctorate of Philosophy in English, both from the University of Aberdeen in Scotland.

Shaminder Brar, Assistant Superintendent/Vice President, Administrative Services. Mr. Brar has served as Assistant Superintendent/Vice President, Administrative Services since July 2021. Mr. Brar has over 18 years of professional experience. Prior to joining the District, Mr. Brar served as Fiscal Services Administrator at the Palmdale School District. Mr. Brar earned his bachelor’s degree in applied mathematics from the University of California, Los Angeles and his master’s degree in business administration from the University of Illinois at Urbana-Champaign.

Labor Relations

The District employs 202 full-time faculty, 643 part-time faculty, 243 classified, 17 confidential employees, and 60 management employees. District employees, except confidential and management and some part-time employees, are represented by two bargaining units as noted in the following table:

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT Labor Relations

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Antelope Valley College Federation of Teachers	845	June 30, 2025 ⁽¹⁾
Antelope Valley College Federation of Classified Employees	243	June 30, 2025 ⁽¹⁾

⁽¹⁾Members of the District's bargaining units are working under the terms of their existing contracts during negotiations.

Source: *Antelope Valley Community College District*.

District Retirement Systems

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 Underwriters.

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. Previously, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program increased significantly prior to the implementation of AB 1469 (defined below). In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members (“PEPRA Members”) hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees (“Classic Members”) hired before the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate was 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2023, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2024, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2025, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2026, the contribution rate will be 10.250% for Classic Members and 10.205% for PEPRA Members.

Pursuant to AB 1469, K-14 school districts’ contribution rate increased over a seven-year phase-in period in accordance with the following schedule:

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

<u>Effective Date</u>	<u>K-14 School Districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

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

adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

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

The District’s contributions to STRS were \$5,128,603 in fiscal year 2022-23, \$5,573,560 in fiscal year 2023-24, \$6,262,308 in fiscal year 2024-25, and \$6,373,823 in fiscal year 2025-26. The District currently projects \$7,993,863 for its contribution to STRS for fiscal year 2026-27.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2025-26 and 8.328% for fiscal year 2026-27. The State’s contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State’s contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS’ unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

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

PERS. Classified employees working four or more hours per day are members of the California Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund (“PERF”). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2024 included 1,600 public agencies and 1,336 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Pursuant to SB 90, the State Legislature appropriated \$904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 (“AB 84”). Under AB 84, \$144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State’s required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, \$430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and \$330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.91% for fiscal year 2021-22. The employer contribution rate was 25.37% in fiscal year 2022-23, 26.68% in fiscal year 2023-24, 27.05% in fiscal year 2024-25, 26.81% in fiscal year 2025-26, and will be 26.40% in fiscal year 2026-27. Classic Members contribute at a rate established by statute, which was 7% in fiscal years 2023-24 through 2025-26, while PEPRAs Members contribute at an actuarially determined rate, which was 8% in fiscal years 2023-24 through 2025-26. For the Schools Pool Actuarial Valuation as of June 30, 2025 (the “2025 PERS Actuarial Valuation”), the total normal cost did not change by more than 1% relative to the basis currently in effect, therefore the PEPRAs Member contribution rate will remain 8% in fiscal year 2026-27. See “—California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contributions to PERS were \$5,157,312 in fiscal year 2022-23, \$6,263,220 in fiscal year 2023-24, \$6,648,539 in fiscal year 2024-25, and \$6,746,391 in fiscal year 2025-26. The District currently projects \$8,154,473 for its contribution to PERS for fiscal year 2026-27.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2013-14 through 2024-25

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾</u>	<u>Value of Trust Assets (AVA) ⁽³⁾</u>	<u>Unfunded Liability (AVA) ⁽³⁾</u>
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,586
2023-24	380,507	321,910	85,532	291,838	88,669
2024-25	395,525	349,525	75,038	313,533	81,992

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾</u>	<u>Value of Trust Assets (AVA) ⁽³⁾⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽³⁾⁽⁴⁾</u>
2013-14	65,600	56,838	8,761	--	--
2014-15	73,325	56,814	16,511	--	--
2015-16	77,544	55,785	21,759	--	--
2016-17	84,416	60,865	23,551	--	--
2017-18	92,071	64,846	27,225	--	--
2018-19 ⁽⁵⁾	99,528	68,177	31,351	--	--
2019-20 ⁽⁶⁾	104,062	71,400	32,662	--	--
2020-21	110,507	86,519	23,988	--	--
2021-22	116,982	79,386	37,596	--	--
2022-23	124,924	84,292	40,632	--	--
2023-24	133,978	93,187	40,791	--	--
2024-25 ⁽⁷⁾	141,195	105,452	35,743	--	--

(1) Amounts may not add due to rounding.

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

(3) Reflects actuarial value of assets.

(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

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

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

(7) On April 13, 2026, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2026-27 and released certain actuarial information to be incorporated into the 2025 PERS Actuarial Valuation to be released later in 2026.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the “2017 Experience Analysis”), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2007, through June 30, 2022) (the “2024 Experience Analysis”), on January 10, 2024, the STRS Board adopted a new set of actuarial assumptions that will be first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2023. The payroll growth assumption was decreased to 3.25% from 3.50% due to the projected need for fewer teachers due to projected declining enrollment in the State over the next 20 years, while the following actuarial assumptions remained unchanged since the CalSTRS Experience Analysis (spanning July 1, 2015 through July 1, 2018) (the “2020 Experience Analysis”): long-term investment return (7.0%), (ii) price inflation (2.75%), and (iii) wage growth (3.50%). Certain demographic assumptions were also updated, including changing the assumed life expectancy of STRS retirees to more closely reflect recent trends. The 2025 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2025 (the “2025 STRS Actuarial Valuation”) reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately \$6.7 billion since the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2024 (the “2024 STRS Actuarial Valuation”) and the funded ratio increased by 2.6% to 79.3% over such time period. This decrease in unfunded actuarial obligation was primarily due to the investment experience of the last two years, while approximately \$665 million of the decrease in the unfunded actuarial obligation was the result of the previous decision of the STRS Board to not reduce the contribution rates for both employers and the State. The funded ratio improved by 2.6% since the 2024 Valuation primarily due to investment returns above the 7.00% long-term investment return assumption for the last two years, as well as contributions made by employers and the State in fiscal year 2024-25 to eliminate their share of the unfunded actuarial obligation by 2046. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the “Unallocated UAO”). There was an increase in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from \$140 million as of June 30, 2024 to \$367 million as of June 30, 2025. The State is currently projected to eliminate its \$4.0 billion share of the unfunded actuarial obligation by next year. As noted above, once the State has eliminated its share of the STRS unfunded actuarial obligation, the State supplemental contribution rate will immediately be reduced to zero.

According to the 2025 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2043 of 100.4%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

On November 13, 2025, STRS released its 2025 Review of Funding Levels and Risks (the “STRS 2025 Review of Funding Levels and Risks”), which is based on the 2024 STRS Actuarial Valuation. The STRS 2025 Review of Funding Levels and Risks notes that funding projections have improved slightly since the completion of the June 30, 2023 actuarial valuation that was presented to the STRS Board in May 2025 in part due to the investment return earned by STRS in fiscal year 2024-25. Full funding is now projected to occur in 2043, three years ahead of schedule.

The key results and findings noted in the STRS 2024 Review of Funding Levels and Risks were that (i) current contribution rates for the State and employers are still projected to be sufficient to allow both the State and employers to eliminate their share of the STRS unfunded actuarial obligation by 2046 and contribution rate increases are not expected to be needed for fiscal year 2026–27, (ii) the state remains well ahead of schedule to eliminate its share of the STRS unfunded actuarial obligation (currently projected to be eliminated in 2027) and the State’s share of the unfunded actuarial obligation could quickly increase if STRS were to experience a year in which the investment return is significantly below the assumed rate of return, (iii) the largest risk facing STRS’ ability to reach full funding remains investment-related risk, especially considering the STRS Defined Benefit Program continues to mature, which will increase the system’s sensitivity to investment experience, (iv) the risk that a negative investment return might impact STRS’ ability to reach full funding is expected to increase once the state fully eliminates its share of STRS’ unfunded actuarial obligation because of a trigger that will require the state contribution rate to immediately drop to 2.017%, potentially limiting STRS’ ability to react to changing conditions because, once this occurs, the STRS Board would only be able to raise the State contribution rate by 0.5% each year, taking 12 years to simply return to the State contribution rate in place in the prior fiscal year, potentially resulting in a situation where the State can no longer eliminate its share of the unfunded liability by 2046, and (v) STRS’ ability to reach full funding is dependent on meeting its current actuarial assumptions over the long term and uncertain investment markets and a potential decline in the number of teachers could put pressure on STRS’ ability to meet some of its long-term actuarial assumptions and impact its ability to reach full funding.

The STRS 2025 Review of Funding Levels and Risks notes highlighted risks associated with longevity, the size of active membership and investments. STRS performs an in-depth study of mortality every four years as part of the experience analysis. The most recent analysis was completed in January 2024, at which time the STRS Board adopted new mortality assumptions. The STRS 2025 review of Funding Levels and Risks notes that, overall, STRS experienced greater mortality than projected under the previous assumptions. The analysis included data that was impacted by the COVID-19 pandemic, and it remains uncertain whether the COVID-19 virus will continue to impact mortality levels over the long term. The STRS Board adopted mortality rates that were slightly lower than what the data indicated, essentially not fully reflecting the impact of the pandemic. Regardless, the assumptions adopted did result in a slight decrease in life expectancy compared with the previous assumptions. To mitigate longevity risk, STRS uses a technique known as generational mortality. This technique anticipates future improvements in life expectancy in the funding of the system, recognizing potential improvements in mortality ahead of time.

In January 2024, the STRS Board adopted a change to the rate at which the payroll is assumed to increase, from 3.5% per year down to 3.25% per year. With this change, STRS now assumes that the population of active teachers will decline slowly over time. This assumption is key in determining contribution rates and whether the funding plan will successfully eliminate the current unfunded actuarial obligation by 2046 since STRS collects contributions as a percentage of payroll. If the active membership declines faster than anticipated and the payroll fails to grow as assumed, STRS’ ability to make progress toward full funding could be at risk. Retirements from active teachers are expected to increase significantly over the next 10 years. Although an increase in retirements does not necessarily impact long-term funding, if schools do not replace the teachers who retire in the future, that could result

in a reduction in the overall number of teachers and impact STRS' ability to reach full funding by 2046. With the anticipated decline in the number of children enrolled in K–12 public schools, the risk that the number of teachers may go down in the future is real and was one of the considerations when the STRS Board lowered the payroll growth assumption in January 2024.

After being fairly steady between 2010 and 2020, California experienced a significant decline in enrollment in both K–12 public schools and community colleges starting in 2020–21. Total enrollment in K–12 public schools in California dropped by approximately 310,000, or a 5% reduction, between 2019–20 and 2022–23. At the same time, the number of students enrolled at community colleges dropped by 310,000, or a 20% reduction, between the fall of 2019 and the fall of 2021. Since then, enrollment rebounded by almost 200,000 from the fall of 2021 to the fall of 2024. Still, enrollment in community colleges was down more than 7%, or about 115,000, since 2019. In November 2025, the State updated its projection of K–12 enrollments. The updated projection assumes the number of children enrolled in K–12 public schools will continue to decline for the next 20 years. The most recent projection anticipates a decline of approximately 10% over the next 10 years and approximately 16% over the next 20 years. If the anticipated reduction in enrollment results in a need for fewer teachers in California, it would impact the number of active teachers who participate in the STRS Defined Benefit Program and ultimately the growth in payroll. The situation could intensify if school districts were to face budget issues and rely either on layoffs or hiring freezes, leaving positions vacant as teachers leave or retire to reduce budget pressure. One countervailing force that could potentially offset some of the factors listed above would be reductions in class sizes.

The STRS 2025 Review of Funding Levels and Risks notes that investment volatility and the risk that STRS may not be able to meet its assumed investment return over the long-term remains the greatest risk facing STRS today. The combination of a maturing system and the decreasing timeframe of the funding plan only serves to increase this risk. STRS 2025 Review of Funding Levels and Risks notes that (i) when investment returns are below expectations, the unfunded actuarial obligation increases, requiring additional contributions to bridge the gap; however, the funding plan provides the STRS Board limited authority to increase contribution rates for both the state and employers through 2046 for this purpose; (ii) the State bears the greatest risk when it comes to investment volatility due to rules set in the funding plan that allocate the largest share of the assets to the State which results in its share of the unfunded actuarial obligation being the most sensitive to investment volatility; (iii) the specific restrictions the funding plan places on contribution rate increases for both the State and employers limit STRS' ability to respond to investment volatility, and (iv) since the funding plan expires in 2046, after which the STRS Board's authority to adjust contribution rates terminates, the time period over which to fund an existing and new unfunded actuarial obligation is declining each year.

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

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at

7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points (revised to two percentage points in 2017). On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%. On April 15, 2024, the PERS Board removed the automatic mechanism to reduce the discount rate and added a provision to the Funding Risk Mitigation Policy to bring an agenda item to the PERS Board for discussion if a funding risk mitigation event occurs.

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

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

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 18, 2025 (the “2025 Experience Study”), the PERS Board approved new actuarial assumptions, including (i) maintaining the current 6.8% discount rate, (ii) increasing the inflation rate from 2.3% to 2.5% per year,

(iii) maintaining the assumed real wage inflation assumption to 0.5%, which results in an increase of total wage inflation of 2.80% to 3.0%, (iv) maintaining the payroll growth rate at 2.8%, and (v) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2025 and first impacted contribution rates for school districts in fiscal year 2026-27. Based on the timing of this study, the member data used for the analysis, which runs through June 30, 2023, does include impacts of COVID-19. Due to the anomalies created by COVID-19, some of the COVID-19 data was excluded.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study which guided the fund's investment portfolio for the subsequent four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation took effect July 1, 2022 and impacted contribution rates for employers and PEPRAs employees beginning in fiscal year 2022-23.

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

On April 13, 2026, the PERS Board established the employer contribution rates for fiscal year 2026-27 and released information from the 2025 PERS Actuarial Valuation, ahead of its release date later in 2026. From June 30, 2024 to June 30, 2025, the funded status of the Schools Pool increased by 5.1% (from 69.6% to 74.7%) and the unfunded accrued liability decreased by approximately \$5.0 billion. The primary driver of improvement was investment return greater than expected. Based on final assets as of June 30, 2025, the investment return for 2024-25 was 12.0% after reduction for administrative expenses, generating an actuarial investment gain of \$4.9 billion. This gain will be amortized over 20 years with a five-year ramp, decreasing the employer contribution rate in 2026-27 by 0.49% of pay. Due to the five-year ramp, this impact will escalate each year until it reaches an estimated reduction of 2.16% of pay in 2030-31. Non-investment experience during fiscal year 2024-25, which includes both demographic experience and economic experience other than from investments, increased unfunded accrued liability by \$0.6 billion, which will be amortized over 20 years, increasing the employer contribution rate by 0.19% in

fiscal year 2026-27. Combined with a 0.17% decrease of the employer normal cost rate, the net effect of non-investment experience is an increase of 0.02% in the employer rate. Total payroll in 2024-25 increased by 6.6% over the prior year, compared with 2.8% expected. This served to reduce the employer contribution rate by 0.61% of pay in 2026-27 as the dollar amount of the unfunded liability contribution is divided by a larger payroll.

Assuming all actuarial assumptions are realized, including an assumed investment return of 6.80%, and no changes to assumptions, methods or benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from Classic Members to PEPRA Members, the projected contribution rate for fiscal year 2027-28 is 26.8%, 25.9% in fiscal year 2028-29, 25.1% in fiscal year 2029-30, 24.0% in fiscal year 2030-31, and 23.8% in fiscal year 2031-32. The actual investment return for fiscal year 2025-26 was not known at the time these projections were made. The projections above assume the investment return for that year will be 6.8%. If the actual investment return differs from 6.80%, the actual contribution requirements for the projected years will differ from those shown above.

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

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities are

typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

For fiscal year ending June 30, 2025, the District's proportionate share of the net STRS pension liability was \$30,331,276. As of such date, the District's proportionate share of the net PERS pension liability was \$42,637,574. See also APPENDIX C – "2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto for more information.

Other Post-Employment Benefits

Plan Description. The District provides post-retirement health care benefits (the "Benefits") to eligible employees and their dependents through its post-employment health care plan (the "Plan"). The District pays medical, vision, dental, and life insurance premiums that insofar as possible are the same plans and contain the same benefits as regular and active unit members of the District up until the age of 65 or death of the retiree. As of June 30, 2025, membership of the Plan consists of 34 retirees and receiving benefits, and 431 active employee plan members. A description of the Plan follows:

	<u>Faculty</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical, dental, vision, and life	Medical, dental, vision, and life	Medical, dental, vision, and life
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years*	10 years*	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
College Cap	Active Cap	Active Cap	Active Cap

* 8 years with the District, last 5 in regular employment
Source: Antelope Valley Community College District.

Funding Policy. Expenditures for the Benefits are recognized on a "pay-as-you-go basis" covering the cost of premiums paid for current retirees, together with an additional amount to prefund the District's outstanding accrued liability for the Benefits as discussed in "– OPEB Trust" below. The District contributed \$915,222, \$889,784, \$1,074,084, and \$897,710 towards the Benefits in fiscal years 2022-23 through 2025-26, respectively. For the fiscal year 2026-27, the District has projected a contribution of \$387,113.

OPEB Trust. Effective fiscal year 2015-16, the District has established an irrevocable, GASB-qualifying trust (the "OPEB Trust") to fund the TOL (defined below) with respect to the Benefits. The District plans to make discretionary, periodic contributions to the OPEB Trust. Responsibility for the

investment of funds in the OPEB Trust rests with an independent Retirement Board of Authority established by the District. The District made contributions to the OPEB Trust of \$387,113, \$387,113, \$504,519, and \$387,113 in fiscal years 2022-23 through 2025-26, respectively. The District has projected a contribution of \$387,113 in fiscal year 2026-27. As of July 31, 2026, the value of assets in the OPEB Trust was \$11,694,365.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 74”) and *GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”) with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post-employment benefits to plan members, and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the NOL, to be recognized on the balance sheet of the plan and the participating employer’s financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan’s net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan’s fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total OPEB Liability (the “TOL”), if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (the “FNP”) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 is effective for employer fiscal years beginning after June 15, 2017. The District has recognized GASB Statement No. 74 and GASB Statement No. 75 in their financial statements for fiscal year 2019-20. See APPENDIX C – “2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12” attached hereto.

Actuarial Study. The District has implemented GASB 74 and GASB 75, pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB 74 and GASB 75 (discussed above) require biennial actuarial valuations for all plans. The most recent actuarial study for the Plan had a valuation date of June 30, 2024 (the “Study”). The Study concluded that, as of a June 30, 2025 measurement date, the Total OPEB Liability (the “TOL”) with respect to such Benefits was \$10,028,362, the fiduciary net position was \$10,786,863, and the net OPEB asset was \$(758,501). For more information regarding the District’s other post-employment benefit

liability, see APPENDIX C – “2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12” attached hereto.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage.

To date, the District has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurance can be given that the District’s efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. Additionally, the District carries cybersecurity insurance.

Risk Management

The District participates in Joint Power Agreements (JPAs) with Protected Insurance Program for Schools Joint Power Authority (PIPS) for workers’ compensation insurance, and Statewide Association of Community Colleges (SWACC) for property and liability insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The relationship between the District and the JPAs in which it participates is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. The District pays a premium to each JPA commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

See also APPENDIX C – “2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14” herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the State Constitution (“Article XIII A”) limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner,

the full cash value is also referred to as the “base year value.” The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation.

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

Proposition 19

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

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the Counties 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.

All taxable property value included in this Official Statement is shown at 100% of taxable value and all tax rates reflect the \$1 per \$100 of taxable value (unless noted differently).

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

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. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

So long as the District is not a community funded district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s financing formula for community college districts. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

Article XIII B of the California Constitution

Article XIII B of the State Constitution (“Article XIII B”), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, community college district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

- (a) “change in the cost of living” with respect to school districts and community college districts to mean the percentage change in State per capita income from the preceding year, and
- (b) “change in population” with respect to a school district or community college district to mean the percentage change in the average daily attendance of such school district or community college district from the preceding fiscal year.

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

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service authorized as of January 1, 1979, or on bonded indebtedness approved after January 1, 1979, by a vote of the electors of the issuing entity, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” herein.

Article XIII C and Article XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including community college 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 State Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or Article XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

On November 2, 2010, voters of the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable

costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, voters of the State 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 changed 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 State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, is transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys 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 XIIB surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article XIIB 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:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in State per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess 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 minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the K-14 school districts’ base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for “qualified capital outlay projects” as defined by the State Legislature, and (ii) 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 State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (“Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (“Test 2”). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools (also referred to as a “maintenance factor”) which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

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

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

The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Propositions 30 and 55

The State Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to 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 FTES. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2 (2014)

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

Under Proposition 2 (2014), and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 (2014) also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 (2014) requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 (2014) provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 (2014) changed the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 (2014) also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 (2014) caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 (2014) also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D and Propositions 22, 26, 30, 39, 98 and 55 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Certificates might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State personal income tax.

The excess of the stated redemption price at maturity of a Certificate over the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner’s basis in the applicable Certificate.

Special Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the execution and delivery of the Certificates to assure that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

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

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be

affected as a result of such an audit of the Certificates (or by an audit of similar certificates). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Certificates to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) with respect to the Certificates or their market value.

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

Special Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special Counsel expresses no opinion as to the effect on the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) for federal income tax purposes with respect to any Certificate if any such action is taken or omitted based upon the advice of counsel other than Special Counsel.

Although Special Counsel has rendered an opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Certificates and the accrual or receipt of interest with respect to the Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Certificates.

A copy of the proposed form of opinion of Special Counsel is attached hereto as APPENDIX B.

CERTAIN LEGAL MATTERS

Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as APPENDIX B. A copy of such approving opinion will be available at the time of delivery of the Certificates. The payment of fees of Special Counsel is contingent upon the closing of the Certificates transaction. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel, for

the Underwriters by Kutak Rock LLP, and for the Trustee and the Corporation by their respective counsels.

ENHANCED REPORTING REQUIREMENTS

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”), interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

FINANCIAL STATEMENTS

The financial statements with supplemental information for the year ended June 30, 2025, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of CWDL, Certified Public Accountants (the “Auditor”) dated December 29, 2025, are attached to this Official Statement as APPENDIX C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

Current Undertaking. The District will covenant in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s Fiscal Year (presently ending June 30) (the “Annual Report”), commencing with the report of Fiscal Year ending June 30, 2026, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Market Municipal Access, located at www.emma.msrb.com. The information on such website is not incorporated herein by any reference. The specific nature of the information to be contained in the Annual Report and the notice of listed events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

Prior Undertakings. Within the past five years, the District has not failed to file annual reports and notices of listed events required by its prior undertakings entered into pursuant to the Rule.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation in any material respect affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to lease the Property back from the Corporation, the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease.

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the Certificates, or in any way contesting or affecting the validity of the Certificates or any proceedings of the District taken with respect thereto. The District is not aware of any litigation, pending or threatened, questioning the political existence of the District.

RATING

The Certificates have been assigned a rating of “AA-” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). Certain information was supplied by the District to S&P to be considered in evaluating the Certificates. The rating issue reflects only the view of S&P, and any explanation of the significance of such rating should be obtained therefrom. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal.

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

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notices of any rating changes on the Certificates. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from S&P 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 Certificates are directed to S&P, its website, and official media outlets for the most current rating changes with respect to the Certificates after the initial execution and delivery thereof.

UNDERWRITING

Purchase of Certificates. The Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Representative”) on behalf of itself and Piper Sandler & Co. (collectively, the “Underwriters”) pursuant to a purchase contract (the “Purchase Contract”) by and between the District and the Underwriters. The Underwriters have agreed to purchase the Certificates at the purchase price of \$_____ (representing the aggregate principal amount evidenced by the Certificates of \$_____, plus [net] original issue premium of \$_____, and less an Underwriters’ discount

of \$_____). The Purchase Contract provides that the Underwriters will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Contract of Purchase.

The Underwriters may offer and sell the Certificates to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriters.

Underwriter Disclosures. *The Underwriters have provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.*

Stifel 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. Stifel 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 Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel 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.

Stifel 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.

Piper Sandler & Co. has entered into a distribution agreement (the “Schwab Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

MISCELLANEOUS

The references herein to the Lease, the Site Lease, the Trust Agreement, and the Assignment Agreement 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 said documents. Copies of the documents mentioned under this heading are available for inspection at the District and following delivery of the Certificates will be on file at the designated office of the Trustee.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement 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 Certificates.

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

By: _____
Dr. Jennifer Zellet
Superintendent/President

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the legal documents related to the Certificates which are not described in the Official Statement to which this Appendix is attached. This summary is not intended to be definitive and is qualified in its entirety by reference to fully-executed Site Lease, Lease, Assignment Agreement and Trust Agreement for the complete terms thereof. Copies of the Site Lease, the Lease, the Assignment Agreement and the Trust Agreement are available upon request from the District.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined therein or elsewhere in the Official Statement have the meanings set forth in the Lease or the Trust Agreement.

“Additional Certificates” means certificates of participation authorized by a supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

“Additional Payments” means all amounts payable by the District as Additional Payments as defined in the Lease.

“Asbestos Containing Materials” means material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cummington-itegrinerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

“Assignment Agreement” means the Assignment Agreement related to the Certificates, dated as of the date thereof, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

“Available Coverage” means the coverage then available for disbursement pursuant to the terms of any applicable Reserve Facility without regard to the legal or financial ability or willingness of the provider of such Reserve Facility to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

“Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the State of New York or the State of California or the state in which the Principal Office of the Trustee is located are authorized or required by law or executive order to remain closed.

“Certificate” or **“Certificates”** means Antelope Valley Community College District, Certificates of Participation, Series 2026, and any Additional Certificates executed and delivered by the Trustee pursuant to the Trust Agreement.

“Certificate of Completion” means a certificate of the District Representative stating that all components of the Project have been completed or concluded in conformity with the requirements of the Lease.

“Certificate Payment Date” means December 1 and June 1 of each year commencing December 1, 2026 with respect to the interest payments evidenced by the Certificates and June 1 of each year commencing June 1, 20__ with respect to the principal payments evidenced by the Certificates.

“Certificate Year” will have the meaning assigned to such term in the Tax Certificate.

“Claim” means any claim or enforcement proceeding in connection with an Insolvency Proceeding.

“Closing Date” means the date on which the Certificates, duly executed by the Trustee, are delivered to the Original Purchasers thereof.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of the Closing Date, executed by the District as it may be amended from time to time in accordance with the terms thereof.

“Corporation” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized under the laws of the State of California, its successors and assigns.

“Corporation Representative” means the Chairman, Secretary, Treasurer, or Executive Director/Secretary of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease and the Trust Agreement.

“Defeasance Securities” means (i) Government Obligations, and (ii) evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Delivery Costs” means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the Project, including but not limited to costs provided in the Purchase Contract with the Original Purchasers, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel, legal and municipal advisory fees and charges, financing and other professional consultant fees, costs of rating agencies and costs of providing information to such rating agencies, any computer and other expenses incurred in connection with the Certificates, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Delivery Costs Requisition” means a written requisition for the payment of Delivery Costs substantially in the form attached as an exhibit to the Trust Agreement.

“Depository” means DTC; or, such other securities depositories or to such depositories as the District may designate in writing to the Trustee, or any other securities depository acting as Depository pursuant to the Trust Agreement.

“District” means the Antelope Valley Community College District, a community college district organized and existing under the laws and Constitution of the State, and its successors and assigns.

“District Representative” means the Superintendent/President of the District, the Assistant Superintendent/Vice President for Administrative Services of the District, or any other person authorized by the Superintendent/President of the District or the Assistant Superintendent/Vice President for Administrative Services of the District to act on behalf of the District with respect to the Lease or the Trust Agreement.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as initial Depository for the Certificates.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

“Event of Default” means an event of default under the Lease, as defined in the Lease.

“Fiscal Year” means the fiscal year of the District commencing July 1 and ending June 30 of the next year.

“Government Obligations” means non-callable (i) United States Treasury Obligations, (ii) obligations fully and unconditionally guaranteed as to payment of principal and interest by the United States of America, or (iii) obligations fully and unconditionally guaranteed as to payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the District.

“Independent Insurance Consultant” means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the District is to be self-insured, as may from time to time be designated by the District.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in a certificate to the Trustee or as the District may select.

“Insolvency Proceeding” means, for purposes of the Trust Agreement, any proceeding by or against the Corporation or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

“Late Payment Rate” means the lesser of (a) the then applicable highest rate of interest with respect to the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates.

“Laws and Regulations” means any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

“Lease” means the Lease/Purchase Agreement related to the Certificates, dated as of November 1, 2026, by and between the District and the Corporation, and any duly authorized and executed amendments thereto.

“Lease Payment” means any payment required to be paid by the District to the Corporation pursuant to the Lease.

“Lease Payment Date” means the Lease Payment Date defined in the Lease.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Lease Proceeds” means any proceeds of re-letting or any other disposition of the Property pursuant to the Lease.

“Lease Year” means the period extending from June 1 of each calendar year to May 31 of the subsequent calendar year (as applicable), provided that the first Lease Year will commence on the Closing Date and end on May 31, 2027.

“Lessor” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates making reference to the DTC Operational Arrangements, as it may be amended from time to time setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the District and the Trustee delivered to and accepted by the Depository.

“Moody’s” means Moody’s Investors Service, Inc., or any successors or assigns thereto.

“Net Proceeds” means any proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

“Net Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Opinion of Counsel” means a legal opinion issued by Special Counsel addressed to the District, the Corporation and the Trustee.

“Original Purchasers” means Stifel, Nicolaus & Company, Inc. and Piper Sandler & Co., as Original Purchasers of the Certificates on the Closing Date.

“Outstanding” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Lease) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates for the payment or prepayment of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate is registered on the registration books maintained by the Trustee.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

“Participating Underwriters” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, which are not then delinquent, or which the District may, pursuant to provisions of the Lease, permit to remain unpaid; (ii) the Assignment Agreement; (iii) the Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under the Lease; (vi) easements, rights of way, mineral rights, cell tower leases, the subordinated lease-lease back agreements by and between the District and the developer in connection with the construction and delivery of those portions of the Project undertaken on the Property, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the Lessor and the District consent in writing.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for moneys proposed to be invested therein:

(a) For all purposes, including investments to accomplish a defeasance pursuant to the Trust Agreement, Defeasance Securities.

(b) For all purposes other than investments to accomplish a defeasance pursuant to the Trust Agreement, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Housing Administration debentures.

(ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

-Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior Debt obligations

-Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)

Consolidated system-wide bonds and notes

-Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

-Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)

-Financing Corporation (FICO)

Debt obligations

-Resolution Funding Corporation (REFCORP)

Debt obligations

(iii) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P or "Prime-1" by Moody's, which may include the Trustee and its affiliates.

(iv) Deposits in banks which have capital and surplus of at least \$15 million.

(v) Commercial paper (having original maturities of not more than 30 days) rated at the time of purchase "A-1+" or better by S&P and "Prime-1" by Moody's.

(vi) Money market funds rated in the highest rating category by S&P and Moody's, including funds for which the Trustee, its parent company, if any, or affiliates or subsidiaries thereof receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.

(ix) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(x) Pre-refunded municipal obligations rated by S&P and Moody’s at least as high as direct and general obligations of the United States of America, meeting the following requirements:

1. such municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for such municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

2. such municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

3. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on such municipal obligations (“Verification”);

4. the cash or United States Treasury Obligations serving as security for such municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

5. no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

6. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(xi) Repurchase agreements entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P or “Aa” by Moody’s (each an “Eligible Provider”), provided that:

1. the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

2. the Trustee or a third party acting solely as agent therefor or for the District (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and the collateral is marked to market;

3. the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee and the District setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

4. the repurchase agreement will state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian is in possession);

5. all other requirements of each Rating Agency in respect of repurchase agreements are met;

6. the repurchase agreement will provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if the repurchase agreement has a term of 270 days or less (with no evergreen provisions), collateral levels need not be as specified in (1) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

(xii) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or in the case of a guaranteed corporation the long-term debt is rated at least “AA” (stable) by S&P and “Aa” (stable) by Moody’s; or in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least as high as direct and general obligations of the United States of America by S&P and Moody’s; provided that, by the terms of the investment agreement:

1. interest payments are to be made to the Trustee at times and in amounts as necessary to pay Lease Payments (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

2. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior notice; the District and the Trustee have agreed to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

3. the provider will send monthly reports to the Trustee and the District setting forth the balance the District or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

4. the investment agreement will state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

5. the District and the Trustee will receive an opinion of domestic counsel (which will be addressed to the District), to the effect that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

6. the District and the Trustee will receive an opinion of foreign counsel to the provider (if applicable) (in a form and substance acceptable to, and addressed to the District and the Trustee), to the effect that (a) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

7. the investment agreement will provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider will, at its option, within ten (10) days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as an agent therefor (a "Custodian") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the District or the Trustee, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee;

8. in the event the provider is required to collateralize, permitted collateral will include U.S. Treasury Obligations, or senior debt obligations of

GNMA, FNMA or FHLMC (no collateralized mortgage obligations will be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee and the District setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

9. the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian in possession) and;

10. the investment agreement must provide that if during its term: (i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate, and (ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate; and

(xiii) Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its name.

"Prepayment" means any payment made by the District pursuant to the Lease as a prepayment of Lease Payments.

"Prepayment Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Principal Office" means the principal corporate trust operations office of the Trustee, or such other office as the Trustee may inform the District of, provided that for transfer, exchange, registration, surrender and payment of Certificates, such term means the office or agency of the Trustee, or such other address as the Trustee may inform the District, or the principal office of any successor trustee pursuant hereto.

"Project" means the project described in the Lease and any and all substitutions thereto, as provided in the Lease.

"Project Cost Requisition" means a written requisition for the payment of Project Costs substantially in the form attached as an exhibit to the Trust Agreement.

"Project Costs" means, with respect to any item or portion of the Project, the contract price paid or to be paid therefor upon acquisition, construction, procurement or improvement thereof, in accordance with a purchase order or contract therefor. Project Costs include, but are not limited to, the administrative,

engineering, legal, financial and other costs incurred by the District and the Corporation in connection with the acquisition, construction, procurement, remodeling or improvement of the Project, all applicable sales taxes and other charges resulting from such construction, procurement, remodeling or improvement of the Project and the costs associated with making rebate calculations required by the Code.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Property” means the site or sites described in the Lease, and the community college facilities located thereon.

“Purchase Contract” means that certain contract for the purchase of the Certificates dated as of _____, 2026 by and between the District and the Original Purchasers, relating to the sale and delivery of the Certificates.

“Rating Agency” means any nationally-recognized credit rating agency that maintains a current credit rating with respect to the Certificates.

“Record Date” means the close of business on the fifteenth day of the month preceding each Certificate Payment Date, whether or not such fifteenth day is a Business Day.

“Related Document” means each of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement.

“Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond or other credit source, deposited with the Trustee pursuant to Article VI hereof.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to Article VI hereof.

“Reserve Replenishment Rent” means Reserve Replenishment Rent payable pursuant to Section 4.4(d) of the Lease.

“Reserve Requirement” means, as of any calculation date, the lesser of (1) the maximum aggregate annual Lease Payments (in any Fiscal Year) then payable under the Lease, (2) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (3) 10% of the original face amount of the Certificates and/or the Additional Certificates, as applicable (less original issue discount if in excess of two percent (2%) of the stated prepayment amount at maturity).

“Responsible Officer” means, with respect to the Trustee, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter relating to the Trust Agreement is referred because of his or her knowledge of and familiarity with, a particular subject.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successors or assigns thereto.

“Site Lease” means the Site Lease related to the Certificates, dated as of November 1, 2026, by and between the Corporation and the District.

“Special Counsel” means Stradling Yocca Carlson & Rauth LLP or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the District.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate of the District, dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates executed and delivered to the District on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

“Term” means the time during which the Lease is in effect, as provided in the Lease.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, and any successor trustee.

“Trust Agreement” or “Agreement” means the Trust Agreement, together with any amendments thereof or supplements thereto permitted to be made thereunder.

“United States Treasury Obligations” means non-callable direct obligations of the United States of America (other than obligations subject to variation in principal repayment).

THE LEASE AGREEMENT

ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT

Deposit of Certificate Proceeds. On the Closing Date, the Lessor has agreed to pay or cause to be paid to the District the proceeds of the sale of the Certificates, which moneys to be deposited with the Trustee as provided in the Trust Agreement.

Completion of the Project. The District will arrange for, supervise and provide for, or cause to be supervised and provided for, the construction and completion of the Project. The District will enter into one or more contracts or purchase orders providing for completion of the Project.

Payment of Project and Delivery Costs. Payment of the Project Costs and Delivery Costs will be made from the moneys deposited with the Trustee in the Project Fund as provided in the Trust Agreement, which will be disbursed in accordance and upon compliance with the Trust Agreement.

Completion Certification. Upon completion of all portions of the Project to be financed with the Certificates, satisfactory to the District, the District will deliver to the Trustee a Certificate of Completion with respect thereto. On the date of filing the Certificate of Completion, as indicated therein, all excess moneys remaining in the Project Fund will be transferred by the Trustee in accordance with the Trust Agreement.

Substitution of or Addition to the Project. The District will have the right to substitute alternate items for any portion of the Project listed in the Lease or provide for additional components of the Project by providing the Trustee with a written certificate in the form contained in the Lease as an exhibit and so long as such substitution or addition does not cause, in and of itself, the interest represented by the Certificates to be included in gross income for federal income tax purposes.

Compliance with Law.

Public Bidding. The District will comply with all applicable provisions for bids and contracts prescribed by law, including, without limitation, the Public Contract Code, the Education Code, and the Government Code of the State.

Wage Rates and Working Hours. The District will comply with all applicable provisions relating to prevailing wage rates and working hours, as applicable, required by the Education Code of the State.

Field Act Compliance. If applicable, the District will acquire, construct and install the Project in such manner as to comply with the Field Act.

Plans and Specifications. If applicable, the District will prepare and adopt plans and specifications for the acquisition, construction and installation of the Project or portions thereof pursuant to the Education Code of the State.

Further Assurances and Corrective Instruments. The Lessor and the District have agreed that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Lease.

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

Lease. The Lessor has leased the Property to the District, and the District has leased the Property from the Lessor, upon the terms and conditions set forth in the Lease. The Lease will not operate as a merger of the District's leasehold estate in the Property pursuant to the Lease and its fee estate in the Property and will not cause the extinguishment of the leasehold interest granted to the Lessor under the Site Lease.

Term. The Term of the Lease will commence on the date of execution thereof and will end on June 1, 20__, unless extended pursuant to the Lease, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the District and the election of the Lessor (or its assignees) to terminate the Lease;

(b) Payment of All Lease Payments. The payment by the District of all Lease Payments and Reserve Replenishment Rent required under the Lease and any Additional Payments required under the Lease;

(c) Prepayment. The deposit of funds or Government Obligations with the Trustee in amounts sufficient to pay all Lease Payments as the same will become due, as provided by the Lease and as provided by the Trust Agreement; or

(d) Purchase. Upon the exercise by the District of its option to purchase all of the Lessor's interest in the Property as provided in the Lease; provided, however, that upon exercise by the District of its option to purchase the Lessor's interest in a portion of the Property, as provided in the Lease, the Lease will be terminated only with respect to that portion of the Property.

Extension of Lease Term. If (i) on June 1, 20__, the Certificates have not been fully paid, or (ii) if the Lease Payments thereunder shall have been abated at any time and for any reason not paid from the proceeds of rental interruption insurance pursuant to the Lease, then the Term will be extended until such Certificates, Lease Payments or amounts shall be fully paid, except that the Term will in no event be extended beyond June 1, 20__.

Lease Payments.

(a) Time and Amount. Subject to the provisions of the Lease regarding abatement in event of loss of use of any portion of the Property, regarding option to purchase and regarding prepayment of Lease Payments, the District has agreed to pay to the Lessor, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into components of principal and interest, the interest component being paid semiannually) in the amounts specified in the Lease, to be due and payable on the fifteenth (15th) day of the month (or if such day is not a Business Day, the next succeeding Business Day) immediately preceding the respective Certificate Payment Dates as specified in the Lease (the "Lease Payment Date") which are sufficient in both time and amount to pay when due the annual principal and semiannual interest represented by the Certificates.

In the event the District does not pay a Lease Payment due on the respective Lease Payment Date, the Trustee will provide prompt written notice to the District of such failure to pay; provided, however, that failure to give such notice will not excuse any event of default under the Lease.

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than accrued or capitalized interest, which will be credited as provided in the Trust Agreement, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of principal with respect to any Certificates not presented for payment or interest) will be credited towards the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the Lease Payments required in the Lease, the Lease Payment in default will continue as an obligation of the District until the amount in default will have been fully paid, and the District has agreed to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then Outstanding.

(d) Reserve Replenishment Rent. In the event that:

(i) funds have been withdrawn from the Reserve Fund or there has been a draw on a Reserve Facility held therein in order to pay interest or principal represented by the Certificates or if there shall be a deficiency in the Reserve Fund resulting from a decrease of 10% or more in the market value of the Permitted Investments in the Reserve Fund or the Lease Payment Fund determined as provided in the Trust Agreement, and

(ii) Lease Payments are not then in abatement pursuant to the Lease, and

(iii) the amount of such Lease Payments is less than the fair rental value of the Property, and

(iv) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments,

then the District shall pay from its first legally available moneys after payment of Lease Payments, to the Trustee, Reserve Replenishment Rent in the amount of the deficiency –

(A) (1) over a period of not more than four months, in four (4) substantially equal payments, in the event of a deficiency from a decrease in the market value of the Permitted Investments on deposit in the Reserve Fund or the Lease Payment Fund, or (2) over a period extending no later than the end of the then-current Lease Year, in substantially equal monthly payments, in the event of a deficiency from a withdrawal of amounts from the Reserve Fund to pay principal and interest with respect to the Certificates or to repay any required amounts drawn from any Reserve Facility, and

(B) from the first moneys legally available therefor provided that such payment is consistent with the fair market rental value of the Property, or

(C) if such payments prescribed in clause (A) or (B) are inconsistent with fair market rental value, in such maximum amounts as shall be consistent with fair rental value on each Lease Payment Date until the amount of such Reserve Replenishment Rent paid equals the amount of funds withdrawn from the Reserve Fund or drawn upon any Reserve Facility, to pay interest or principal represented by the Certificates or the decrease in value of Permitted Investments in the Reserve Fund or the Lease Payment Fund.

No Withholding. Notwithstanding any dispute between the Lessor and the District, including a dispute as to the failure of any portion of the Property in use by or possession of the District to perform the task for which it is leased, the District will make all Lease Payments, Reserve Replenishment Rent, and Additional Payments when due and will not withhold any Lease Payments, Reserve Replenishment Rent, or Additional Payments pending the final resolution of such dispute.

Fair Rental Value. The Lease Payments will be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments are to be paid. The parties thereto have agreed and determined that such total rental represents the fair rental value of the Property. In making such determination, consideration has been given to the insured replacement value of the Property, other obligations of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public, and the transfer of the Lessor's leasehold interest in the Property at the end of the Term. In the event that the District and the Trustee, as assignee of the Lessor, agree subsequent to the date thereof that Lease Payments thereunder are less than the fair rental value of the Property, the District and the Trustee may mutually agree that the District will increase the Lease Payments payable thereunder to reflect such fair rental value.

Budget and Appropriation. The District has covenanted to take such action as may be necessary to include in its annual budget and make all necessary annual appropriations for all Lease Payments, Reserve Replenishment Rent, and Additional Payments (to the extent the amounts of such Reserve Replenishment Rent and Additional Payments are known to the District at the time its annual budget is proposed), and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts will be included and maintained in such budget as amended. During the Term of the Lease, the District will furnish annually, on or before June 30 of each year, to the Trustee a certificate of the District Representative stating that all Lease Payments, Reserve Replenishment Rent, and Additional Payments due thereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included. The covenants on the part of the District contained in the Trust Agreement will be deemed to be and will be construed to be duties imposed by law and it will be the ministerial duty of each and every public official of the District to take such action and do such things as are required by law in the

performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the District.

Assignment of Lease Payments. Certain of the Lessor's rights under the Lease, including the right to receive and enforce payment of the Lease Payments, Reserve Replenishment Rent, Additional Payments, and Prepayments, to be made by the District thereunder, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District thereby consents. The Lessor thereby directs the District, and the District has agreed, to pay to the Trustee at the Trustee's corporate trust office in St. Paul, Minnesota, or to the Trustee at such other place as the Trustee will direct in writing, all Lease Payments, Additional Payments, Reserve Replenishment Rent, or Prepayments thereof payable by the District thereunder. The Lessor will not assign or pledge the Lease Payments, Additional Payments, Reserve Replenishment Rent, or other amounts derived from the Property and from its other rights under the Lease except as provided under the terms of the Lease, the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under the Lease, and any assignments in contravention thereof will be void.

Use and Possession. The total Lease Payments due in any Fiscal Year will be for the District's right to use and possession of the Property for such Fiscal Year.

Abatement of Lease Payments in Event of Loss of Use.

(a) Period. The obligation of the District to pay Lease Payments, Reserve Replenishment Rent, and Additional Payments will be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Property there is substantial interference with the District's right to use and possession of such portion of the Property.

(b) Amount. The amount of such abatement will be determined by the District such that the resulting Lease Payments and Reserve Replenishment Rent represent fair consideration for the District's right to use and possession of the portion of the Property not damaged, destroyed or taken. The District will calculate such abatement and will provide the Trustee with a certificate setting forth such calculations and the basis therefor. Such abatement will commence with such damage, destruction or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, available moneys on deposit in the Reserve Fund or the Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, will be applied to pay the Lease Payments.

(c) Repair or Replacement. In the event of such abatement, the District will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds, subject to the requirements of the Lease, or special funds of the District or other moneys the application of which would, in the opinion of Special Counsel addressed to the Trustee, the District, and the Lessor, not result in the obligations of the District thereunder constituting indebtedness of the District in contravention of the Constitution and laws of the State.

Additional Payments. In addition to the Lease Payments, the District will also pay such amounts ("Additional Payments") as will be required for the payment of all Administrative Costs of the Lessor relating to the Property or the Certificates, including without limitation, all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, all fees and expenses owed to the Lessor under the Lease, taxes of any sort whatsoever payable by the Lessor as a result of its interest in the Property or undertaking of the transactions contemplated therein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, all other necessary Administrative Costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the

Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease or to indemnify the Lessor and its employees, officers and directors, the Corporation and its agents, successors and assigns and the Trustee.

Net-Net-Net Lease. The Lease will be deemed and construed to be a “net-net-net lease” and the District has agreed that the Lease Payments will be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided therein.

INSURANCE

Public Liability and Property Damage.

(a) Coverage. The District will maintain or cause to be maintained, throughout the Term thereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District, the Lessor and their officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of any District property or portion thereof.

(b) Limits. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to such deductibles as the District deems adequate and prudent) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth therein.

(c) Joint or Self-Insurance. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to compliance with the Lease, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds will have been paid.

Workers’ Compensation. The District will also maintain workers’ compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers’ Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto.

Casualty and Theft Insurance.

(a) Coverage. The District will procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, insurance against loss or damage to any portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance, but excluding earthquake and flood insurance to the extent not commercially available at a reasonable cost in the judgment of the District. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(b) Amount. Such insurance will be in an amount (except that such insurance may be subject to deductible clauses as the District deems adequate and prudent) not less than the greater of (i) replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding.

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to compliance with the Lease thereof, may be maintained in the form of self-insurance by the District. Insurance provided through a California joint powers authority of which the District is a member or with which the District contracts for insurance shall not be deemed to be self-insurance for purposes hereof.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance will be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in the Lease.

Rental Interruption Insurance.

(a) Coverage and Amount. The District will maintain or cause to be maintained rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in the Lease. Notwithstanding the foregoing, rental interruption insurance will not be provided in connection with earthquake or flood events unless commercially available at a reasonable cost in the judgment of the District. Such rental interruption insurance will name the Trustee and the Lessor as additionally insured parties and may not be provided in the form of self-insurance.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income insurance carried by the District.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance will be paid to the Trustee and deposited (1) in the Reserve Fund to make up any deficiencies therein, and thereafter (2) in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Title Insurance. The District will obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy, in an amount equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies will insure (a) the fee interest of the District in the Property, (b) the Lessor's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of the title insurance obtained pursuant thereto or required thereby will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Certificate Owners.

General Insurance Provisions.

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to the Lease and any statements of self-insurance will be in a form certified by an insurance agent, broker or consultant to the District to comply with the provisions thereof. All such policies will provide that the District will give the Trustee thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby, and will be provided by carriers rated in the two

highest rating categories without regard to modifiers by S&P or Moody's or at least "A" by A.M. Best Company, Inc. Each policy of insurance required to be procured and maintained pursuant to provisions of the Lease regarding casualty and theft insurance, regarding rental interruption insurance and regarding title insurance will provide that the Trustee and the Corporation is an additional insured and all proceeds thereunder will be payable to the Trustee for the benefit of the Owners.

(b) Payment of Premiums. The District will pay or cause to be paid when due the premiums for all insurance policies required by the Lease, and will promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee will not be responsible for the sufficiency or adequacy of any insurance therein required and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District.

(d) Evidence of Insurance. The District will cause to be delivered to the Trustee annually on or before July 1 a certificate stating that the insurance policies required by the Lease are in full force and effect.

(e) Self Insurance. The District may only elect to self-insure pursuant to the Lease if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Lessor and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other community college districts in the State other than the District. Any self-insurance maintained by the District pursuant to the Lease will comply with the following terms:

(i) The self-insurance program will be approved in writing by an Independent Insurance Consultant;

(ii) The self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid; the adequacy of such fund will be evaluated on an annual basis by an Independent Insurance Consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of such Independent Insurance Consultant;

(iii) The self-insured claims reserve fund will be held in a separate trust fund by an independent trustee, which may be the Trustee; and

(iv) In the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Independent Insurance Consultant, will be maintained.

Cooperation. The Lessor will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Application of Net Proceeds.

(a) Deposit in Net Proceeds Fund. The District will remit promptly to the Trustee any Net Proceeds received by the District and the Trustee, pursuant to the Trust Agreement, will deposit such Net

Proceeds of insurance which it receives in the Net Proceeds Fund as provided in sections the Lease regarding casualty and theft insurance or regarding title insurance, promptly upon receipt thereof. The District and/or the Lessor will transfer to the Trustee any other Net Proceeds received by the District and/or Lessor in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Property, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the certification described in paragraph (i) below and the requisition described in paragraph (ii) below, the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in the Trust Agreement.

(i) Certification. The District Representative must certify to the Lessor and the Trustee that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the District to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are expected to equal at least 110% of the projected costs of replacement or repair (or such lesser agreed upon percentage) as demonstrated in an attached reconstruction budget, and

(B) Timely Completion. In the event that damage, destruction or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds, as described in the Lease together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The District Representative must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed and after payment or provision for payment of all Certificates as provided in the Trust Agreement will be paid to the District after payment of amounts due the Trustee pursuant to the Trust Agreement.

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee in writing of the District's determination that the certification provided in the Lease cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee will promptly transfer the Net Proceeds to the Prepayment Fund as provided in the Trust Agreement and apply them to prepayment of the Certificates as provided in the Trust Agreement and prepayment of Lease Payments as provided in the Lease; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and the Reserve Fund are not sufficient to prepay all the Certificates then Outstanding, then the District will not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District. In such event, the District will proceed to repair, replace or improve the Property as described therein from legally available funds in the then-current Fiscal Year and will make the required notification to the Trustee pursuant to the

Trust Agreement and the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the requisition as provided therein.

COVENANTS WITH RESPECT TO THE PROPERTY

Use of the Property. The District represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Interest in the Property and the Lease.

(a) Lessor Holds Leasehold Interest During Term. During the Term of the Lease, the Lessor does and will hold a leasehold interest in the Property pursuant to the Site Lease. The District will take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of the Lease.

(b) Title Transferred to the District at End of Term. Upon expiration of the Term as provided in the Lease thereof, all right, title and interest of the Lessor in and to all of the Property will be transferred to and vest in the District, without the necessity of any additional document of transfer.

Option to Purchase. The District may exercise an option to purchase the Lessor's interest under the Site Lease and the Lease in the Property by depositing with the Trustee cash and/or Government Obligations as provided in the Trust Agreement. In such event, all or a portion of the obligations of the District under the Lease, and the security provided by the Lease for said obligations or said portion of the obligations, will cease and terminate as provided in the Lease, excepting in the case all of the Lessor's interest has been purchased, only the obligation of the District to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments, Reserve Replenishment Rent, and Additional Payments under the Lease have been paid in full, on the date of said deposit, the Lessor's interest in the Property will revert and transfer to the District automatically and without further action by the District or the Lessor, and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of the Lessor's interests in the Property. In the event Lease Payments under the Lease have been paid in part only, on the date of said deposit, the District may specify a discrete portion of the Lessor's interest in the Property for reversion and transfer to the District and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of such portion of the Lessor's interest in the Property; provided, that such portion will revert and transfer to the District only if the reduction in the fair rental value of the Property effected by such reversion and transfer at the time of such reversion and transfer is proportionately less than or equal to the reduction in the maximum annual Lease Payments under the Lease effected by such purchase. Any such deposit will be deemed to be and will constitute a special fund for the payment of Lease Payments in accordance with the Lease.

Quiet Enjoyment. During the Term, the Lessor will provide the District with quiet use and enjoyment of the Property, and the District will during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Lessor, or any person or entity claiming under or through the Lessor except as expressly set forth in the Lease. The Lessor will, at the request of the District, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor will have the right to inspect the Property as provided in the Lease.

Installation of the District's Personal Property. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon any portion of the Property. All such items will remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Lessor nor the Trustee will have any interest, and may be modified or removed by the District at any time; provided that the District will repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in the Lease will prevent the District from purchasing items to be installed pursuant to the Lease, provided that no lien or security interest will attach to any part of the Property.

Access to the Property. The District has agreed that the Lessor, any Corporation Representative and the Lessor's successors, assigns or designees will have the right at all reasonable times to enter upon the Property or any portion thereof to examine and inspect the Property. The District has further agreed that the Lessor, any such Corporation Representative, and the Lessor's successors, assigns or designees will have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations thereunder.

Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of the Lease, as part of the consideration for the rental of the Property, all repair and maintenance of the Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any sublessee thereof. In exchange for the Lease Payments therein provided, the Lessor has agreed to provide only the Property, as thereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Civil Code Section 1932, but such waiver will not limit any of the rights of the District under the terms of the Lease.

(b) Tax and Assessments; Utility Charges. The District will also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Lessor or the District or levied, assessed or charged against any portion of the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease as and when the same become due.

(c) Contests. The District may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; provided that prior to such nonpayment it will furnish the Lessor and the Trustee with the opinion of an Independent Counsel acceptable to the Lessor and the Trustee, to the effect that, by nonpayment of any such items, the interest of the Lessor in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the District will promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Lessor. The Lessor will cooperate fully in such contest, upon the request and at the expense of the District.

Modification of the Property.

(a) Additions, Modifications and Improvements. Following the completion of the Project, the District will, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the

Property. Unless otherwise specifically contracted for, all such additions, modifications and improvements will thereafter comprise part of the Property and be subject to the provisions of the Lease. Such additions, modifications and improvements will not in any way damage any portion of the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest components of Lease Payments; and the Property, upon completion of any additions, modifications and improvements made pursuant to the Lease, will be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) No Liens. Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to the Lease; provided that if any such lien is established and the District will first notify or cause to be notified the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Lessor). The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. Following completion of the Project, the District will, at its own expense, have the right to make replacements, or make additional redevelopments or renovations to all or a portion of the Property if the following conditions precedent are satisfied:

(i) If the replacement, redevelopment or renovation should reasonably be expected to materially affect the District's use of the Property, the District receives an opinion of Special Counsel, a copy of which the District will furnish to the Lessor and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion of the interest component of Lease Payments attributable to the Certificates or the State tax-exempt status of the interest components of the Lease Payments, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in Lease, the District will deposit moneys with the Trustee in advance for payment of Lease Payments from special funds of the District or other moneys, the application of which would not, in the opinion of Special Counsel (a copy of which shall have been delivered to the Trustee), result in such Lease Payments constituting indebtedness of the District in contravention of the Constitution and laws of the State;

(iii) The District will certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(iv) In the case of replacement or redevelopment, the District certifies to the Trustee that the annual fair rental value of the replacements will be at least equal to the lesser of (1) the annual fair rental value of the Property immediately prior to such replacement or redevelopment, or (2) 150% of the maximum annual Lease Payments under the Lease.

Encumbrances; Alternative Financing Methods.

(a) Encumbrances. Except as provided in the Lease, the District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Lessor and the District as therein provided. Except as expressly provided in the Lease, the District will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the District may contest such liens if it desires to do so. The District will reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the District may create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims will at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the District will have first delivered to the Trustee an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not, in and of themselves, result in the inclusion of the interest portion of Lease Payments in the gross income of the owners of the Certificates for purposes of federal income taxation or impair the State tax-exempt status of the interest portion of such payments.

Lessor's Disclaimer of Warranties. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event will the Lessor be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease, the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or the District's use and possession of the Property.

District's Right to Enforce Warranties of Vendors or Contractors. The Lessor has irrevocably appointed the District its agent and attorney-in-fact during the Term of the Lease, so long as the District will not be in default thereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Property which the Lessor may have against any vendor or contractor. The District's sole remedy for the breach of any such warranty, indemnification or representation will be against the vendor or contractor with respect thereto, and not against the Lessor, nor will such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to the Lease, including the right to receive full and timely Lease Payments and all other payments due thereunder. The District will be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor will, upon the District's request and at the District's expense, do all things and take all such actions as the District may request in connection with the assertion of any such claims and rights.

Substitution or Release of the Property. The District will have the right to substitute alternate real property for any portion of the Property described in the Lease thereto or to release a portion of the Property from the lien of the Lease by providing the Trustee with a supplement to the Lease substantially in the form attached thereto. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any substitution or release pursuant to the Lease, there will

be no reduction in or abatement of the Lease Payments due from the District thereunder as a result of such substitution. No substitution or release will be permitted thereunder unless:

(a) the District finds that the substituted real property (i) has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments secured by the Property to be released being payable by the District pursuant to the Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining term of the Lease Payments thereunder;

(b) the District obtains or causes to be obtained a CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners. Such policy will comply with the Lease, will be in a form satisfactory to the Trustee and the Lessor, will be in the amount equal to the principal component of Lease Payments attributable to the substituted real property, and will insure the leasehold interest or the fee simple interest of the Lessor or the District, as applicable, to the substituted real property;

(c) the District provides the Lessor and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the interest evidenced and represented by the Certificates to be included in gross income for federal income tax purposes;

(d) the District will give, or cause to be given, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(e) upon the substitution of any real property and improvements thereon for all or a portion of the Property then existing, the District, the Lessor and the Trustee will execute and the District will record with the office of the County Recorder, Los Angeles County, California, any document necessary to reconvey to the District the portion of the Property being substituted and to include the substituted real property and/or improvements thereon as all or a portion of the Property;

(f) the District will certify to the Trustee that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being replaced; and

(g) if the District releases a portion of the Property, the District will certify that the remaining portion of the Property has a sufficient fair rental value so that Lease Payments payable by the District pursuant to the Lease will not be reduced.

Compliance with Law, Regulations, Etc.

(a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations. Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in the Lease or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped,

spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(b) Excluded from the representations and warranties in the Lease with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of community college and community college related buildings, the use, treatment, storage, transportation and disposal of which has been and will be in compliance with all Laws and Regulations.

(c) No portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property.

Environmental Compliance.

(a) The District will not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor will it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of a community college, the use, storage, treatment, transportation and disposal of which will be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the District will promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained therein, underground storage tanks will only be permitted subject to compliance with the Lease and only to the extent necessary to maintain the improvements on the Property.

(b) The District will comply with, and will cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and will keep the Property free and clear of any liens imposed pursuant thereto; provided, however, that notwithstanding that a portion of the covenant summarized in this subsection is limited to the District's use of its best efforts, the District will remain solely responsible for ensuring such compliance and such limitation will not diminish or affect in any way the District's obligations contained in the Lease. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District will give prompt written notice thereof to the Trustee prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in the Lease is not true or correct, the District will, to the extent permitted by law, defend, indemnify and hold harmless, the Lessor, the Trustee, the Owners, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in the Lease, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee shall have delivered to the District), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring

in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, release, threat of release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Business Days' prior notice of which the Corporation or the Trustee, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or the Lease by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the District is strictly liable under any Environmental Regulation, its obligation to the Owners and the other indemnitees under the foregoing indemnification will likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under the Lease will survive the payment and satisfaction of all Certificates and the resignation and removal of the Trustee.

(d) The District will conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and will maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

Condemnation of Property. The District has covenanted and agreed, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District has further covenanted and agreed, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District will fail or refuse to abide by such covenant and condemns the Property, then the appraised value of the Property will not be less than the greater of: (i) if the Certificates are then subject to prepayment, the principal and interest components of the Certificates outstanding through the date of their prepayment, or (ii) if the Certificates are not then subject to prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

ASSIGNMENT, SUBLEASING AND AMENDMENT

Assignment by the Lessor. Except as provided therein, in the Trust Agreement and the Assignment Agreement, the Lessor will not assign the Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in the Lease.

Assignment and Subleasing by the District.

(a) Assignment. The Lease may be assigned by the District, so long as such assignment does not, in the opinion of Special Counsel, in and of itself, adversely affect the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest component of the Lease Payments or affect the validity of the Lease. In the event that the Lease is assigned by the District, the obligation to make Lease Payments under the Lease will remain the obligation of the District.

(b) Sublease. The District may sublease all or any portion of the Property, with prior written notice to the Trustee (as assignee of the Lessor), subject to all of the following conditions:

(i) The Lease and the obligation of the District to make Lease Payments thereunder will remain obligations of the District; and

(ii) The District will, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor, the Rating Agency, and the Trustee a true and complete copy of such sublease;

(iii) No sublease by the District will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) No sublease shall cause the interest component of the Lease Payments due with respect to the Property to become includable in gross income for federal income tax purposes or subject to State personal income taxes. The Trustee shall have no duty or responsibility to confirm whether such interest will not be includible in gross income for tax purposes.

Amendments and Modifications. The Lease may be amended or any of its terms modified in accordance with the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined. The following will be “events of default” under the Lease and the terms “events of default” and “default” means, whenever they are used in the Lease, any one or more of the following events:

(a) Payment Default.

(i) Lease Payments. Failure by the District to pay any Lease Payment (other than Reserve Replenishment Rent) required to be paid thereunder by the corresponding Lease Payment Date; and

(ii) Reserve Replenishment Rent. Failure by the District to timely pay any Reserve Replenishment Rent, if and when required by the Trust Agreement.

(b) Covenant Default. Failure by the District to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed therein or otherwise with respect thereto or in the Trust Agreement or in the Site Lease, other than as described in clause (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lessor, the Trustee, or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee, or such Owners, as the case may be, will not unreasonably withhold their consent to an extension of such time, if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) Bankruptcy or Insolvency. The filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under the Lease to any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

Remedies on Default. Whenever any event of default referred to in the Lease shall have happened and be continuing, it will be lawful for the Lessor to exercise any and all remedies available pursuant to

law or granted pursuant to the Lease, including writs of mandamus. Notwithstanding anything therein or in the Trust Agreement to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default thereunder, the District will surrender possession of the Property to the Lessor, if requested to do so by the Lessor, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement. The Owners and Lessor will control all remedies upon an event of default under the Trust Agreement.

(a) No Termination: Repossession and Re-Lease on Behalf of the District. In the event the Lessor does not elect to terminate the Lease in the manner provided for in the Lease and summarized in subparagraph (b) below, the Lessor may, with the consent of the District, which consent is thereby irrevocably given, repossess the Property and re-lease it for the account of the District, in which event the District's obligation will accrue from year to year in accordance with the Lease and the District will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District will remain the same as prior to such default, to pay Lease Payments, Reserve Replenishment Rent, and Additional Payments whether the Lessor re-enters or not. The District has agreed to and will remain liable for the payment of all Lease Payments, Reserve Replenishment Rent, and Additional Payments and the performance of all conditions contained therein and will reimburse the Lessor for any deficiency arising out of the re-leasing of the Property, or, in the event the Lessor is unable to re-lease the Property, then for the full amount of all Lease Payments, Reserve Replenishment Rent, and Additional Payments to the end of the Term of the Lease, but said Lease Payments, Reserve Replenishment Rent, and Additional Payments and/or deficiency will be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, Reserve Replenishment Rent, and Additional Payments thereunder, notwithstanding such repossession by the Lessor or any suit brought by the Lessor for the purpose of effecting such repossession of the Property or the exercise of any other remedy by the Lessor.

The District has irrevocably appointed the Lessor as the agent and attorney-in-fact of the District to repossess and re-lease the Property in the event of default by the District in the performance of any covenants contained therein to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in Los Angeles County, for the account of and at the expense of the District, and the District has agreed to exempt and to save harmless the Lessor from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-leasing of the Property. The District has waived any and all claims for damage caused or which may be caused by the Lessor in repossessing the Property as provided therein and all claims for damages that may result from the destruction of or the injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

The District has agreed that the terms of the Lease constitute full and sufficient notice of the right of the Lessor to re-lease the Property in the event of such repossession without effecting a surrender of the Lease, and has further agreed that no acts of the Lessor in effecting such re-leasing will constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease will vest in the Lessor to be effected in the sole and exclusive manner provided for in subparagraph (b) below.

The District will retain the portion of rental obtained by the Trustee, as assignee of the Lessor, that is in excess of the Lease Payments, Reserve Replenishment Rent, and Additional Payments, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the District under the Lease and the Trust Agreement.

In the event that the liability of the District under the Lease is held to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Lessor, or the Trustee or the Owners, as assignees of the Lessor, will not exercise the remedies provided in the Lease.

(b) Termination: Repossession and Re-Lease. In the event of the termination of the Lease by the Lessor at its option and in the manner thereafter provided on account of default by the District (and notwithstanding any repossession of the Property by the Lessor in any manner whatsoever or the re-leasing of the Property), the District nevertheless has agreed to pay to the Lessor all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided therein in the case of payment of Lease Payments, Reserve Replenishment Rent, and Additional Payments. Any proceeds of the re-lease or other disposition of the Property by the Lessor will be deposited into the Lease Payment Fund and be applied in accordance with the provisions of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Lessor, from such re-leasing over total Lease Payments, Reserve Replenishment Rent, and Additional Payments that would have been due thereunder and the fees, expenses and costs of the Trustee as assignee of the Lessor on re-leasing the Property will be remitted to the District. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Property will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the District will be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the District of the election on the part of the Lessor to terminate the Lease. The District has covenanted and agreed that no surrender of the Property for the remainder of the Term thereof or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. No such termination will be effected either by operation of law or act of the parties thereto, except only in the manner therein expressly provided.

(c) The re-leasing of the Property as provided in the Lease will be subject to the opinion of Special Counsel that such re-leasing will not, in and of itself, cause the interest component of the Lease Payments to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes.

No Remedy Exclusive. No remedy conferred in the Lease upon or reserved to the Lessor is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in the Lease it will not be necessary to give any notice, other than such notice as may be required in the Lease or by law.

Agreement to Pay Attorneys' Fees and Expenses. In the event either party to the Lease should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Lessor under the Lease will, subject to the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Lessor under the Lease have been assigned by the Lessor to the Trustee under the Assignment Agreement, to which assignment the District consents. Such rights and remedies will be exercised by the Trustee and the Owners as provided in the Trust Agreement. To the extent that the Lease confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of the Lease, the Trustee has been explicitly recognized as being a third-party beneficiary under the Lease and may enforce any such right, remedy or claim conferred, given or granted under the Lease.

MISCELLANEOUS

Binding Effect. The Lease will inure to the benefit of and will be binding upon the Lessor and the District and their respective successors and assigns.

Severability. In the event any provision of the Lease will be held invalid or unenforceable by a court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision thereof.

Applicable Law. The Lease will be governed by and construed in accordance with the laws of the State.

Execution in Counterparts. The Lease may be executed in any number of counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

THE TRUST AGREEMENT

Transfer and Exchange.

(a) **Transfer of Certificates.** Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same maturity and interest rate, for like aggregate principal amount in authorized denominations. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the District. The Trustee will require the payment by the Certificate Owner requesting such transfer of any tax or governmental charge required to be paid with respect to such transfer, and there will be no other charge to any Certificate Owner for any such transfer.

Prior to any transfer of the Certificates outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange of Certificates. Certificates may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing the Certificates and any services rendered or expenses incurred by Trustee in connection with any transfer or exchange will be paid by the District. All Certificates surrendered pursuant to the provisions of the Trust Agreement summarized in this subsection will be cancelled and destroyed by the Trustee and will not be redelivered.

(c) Time for Transfer or Exchange. The Trustee will not be obligated to transfer or exchange any Certificate after a Record Date and before the following Certificate Payment Date, or during the period in which it is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, will execute and deliver a new Certificate of like tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee will be cancelled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity, satisfactory to the Trustee indemnifying the Trustee, the Corporation and the District, will be given, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee will determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under the provisions of the Trust Agreement summarized in this subsection and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate executed under the provisions of the Trust Agreement summarized by this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement. The Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of delivering a new Certificate in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

Payment. Subject to the provisions of the Letter of Representation, payment of interest with respect to any Certificate on any Certificate Payment Date or prepayment date will be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Certificate Payment Date or prepayment date, as the case may be, such interest to be paid to such Owner on the Certificate Payment Date by wire transfer to the bank and account number within the United States of America on file with the Trustee as of the Record Date. Payments of defaulted interest will be paid by wire transfer to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which will be given to the Owners not less than 15 days prior to such special record date. Subject to the provisions of the Letter of Representation, the principal payable upon maturity or prepayment with respect to the Certificates will be payable upon surrender at the Principal Office. Said amounts will be payable in lawful money of the United States of America. The Trustee has been authorized to pay or prepay the Certificates when duly presented for payment at maturity or on prepayment and to cancel all Certificates upon payment thereof.

Additional Certificates. Subsequent to the execution and delivery by the Trustee of the Certificates, the Trustee will, upon written request or requests of the District Representative and the Corporation Representative, execute and deliver from time to time one or more series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there will have been compliance with all of the following conditions, which are made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

(a) The parties to the Trust Agreement will have executed a supplemental agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and accounts established thereunder for the Certificates executed and delivered on the Closing Date, as will be necessary or appropriate, which supplemental agreement will require that prior to the delivery of such Additional Certificates the Reserve Requirement with respect to such Additional Certificates will be on deposit in the Reserve Fund established under the Trust Agreement, including amounts under any Reserve Facilities or in a reserve fund established under such supplemental agreement;

(b) The principal and interest payable with respect to such Additional Certificates and any premium payable upon prepayment of such Additional Certificates will be payable only on Certificate Payment Dates applicable to the Certificates;

(c) The Lease shall have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium, and interest may be payable out of moneys then in the Reserve Fund or otherwise on deposit with the Trustee in accordance with the Trust Agreement), (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of the Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that such other revisions will not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of the Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments required by the Trust Agreement;

(e) The Trustee shall have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(f) The Trustee shall have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(g) The Trustee will have received an opinion of Special Counsel substantially to the effect that (i) said supplemental agreement and said amendments to the Lease comply in all respects with the requirements of the Trust Agreement, (ii) said supplemental agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in the Trust Agreement and summarized

in this clause (ii), will be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said supplemental agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, the Trust Agreement, as amended by said supplemental agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding, and by the limitations on legal remedies against public agencies in the State of California) and (iv) the execution of such supplemental agreement and said amendments to the Lease, and performance by the parties thereunder, will not, in and of itself, result in the inclusion of the interest portion of any Lease Payments payable with respect to the Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(h) The District shall have provided the Rating Agency written notice of the proposed execution and delivery of such Additional Certificates;

(i) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(j) Upon the execution and delivery of such Additional Certificates, the amount in deposit in the Reserve Fund, together with amounts available under any Reserve Facilities on deposit therein, will be equal to the Reserve Requirement, taking into account the execution and delivery of the Additional Certificates; and

(k) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to the Rating Agency), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee will cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such supplemental agreement, and such Additional Certificates will be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of the Trust Agreement will require the District to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, will be in the sole discretion of the District.

PROJECT FUND

Establishment of Project Fund. The Trustee will establish a special fund designated as the "Antelope Valley Community College District Certificates of Participation, Series 2026 Project Fund," referred to in the Trust Agreement as the "Project Fund"; will keep the Project Fund separate and apart from all other funds and moneys held by it; and will administer such fund as provided in the Trust Agreement. The Project Fund will be held and applied by the Trustee in accordance therewith.

Purpose of Project Fund. Moneys in the Project Fund will be expended for Project Costs and Delivery Costs.

Deposit of Moneys; Payment of Project Costs and Delivery Costs.

(a) **Deposits.** There will be credited to the Project Fund the following amounts: (1) the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement; (2) all investment earnings on moneys held in the various accounts of the Project Fund, which will remain in the account of the Project Fund which generated such earnings until expended or applied to the prepayment of Certificates, as described in the Trust Agreement; and (3) any other deposits made to the Project Fund by the District.

(b) **Disbursements.** The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs directly, to provide funds to the District from time to time so that the District may pay Project Costs directly, or to reimburse the District for payment of Project Costs, upon receipt (either by mail, by facsimile transmission or electronic delivery) by the Trustee of a Project Cost Requisition signed by the District Representative. The Trustee will disburse moneys from the Project Fund to pay Delivery Costs or to reimburse the District for payment of such Delivery Costs upon receipt by the Trustee of a Delivery Cost Requisition signed by the District Representative. The Trustee will be absolutely protected in making any such disbursements in reliance upon a Project Cost Requisition or Delivery Cost Requisition, as applicable, signed by the District Representative. Each such Project Cost or Delivery Cost Requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Transfers of Unexpended Proceeds. Upon the filing with the Trustee of the Certificate of Completion pursuant to the Lease, the Trustee will withdraw all remaining moneys in the Project Fund (other than any moneys retained therein to pay Project Costs not then due and payable and certified by the District Representative) and will either transfer such moneys to the Lease Payment Fund to be applied to the payment of principal and interest evidenced by the Certificates as prescribed in the Trust Agreement, or at the written election of the District, will transfer such moneys to the Prepayment Fund to be applied to the prepayment of Certificates as described in the Trust Agreement or to the District for the purpose of capital expenditures of the District and, following final disbursement of any moneys retained in the Project Fund as described above, will close the Project Fund.

LEASE PAYMENTS; LEASE PAYMENT FUND

Security Provisions.

(a) **Assignment of Rights in Lease and Site Lease.** The Corporation has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease and Site Lease, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, Reserve Replenishment Rent, Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease and the Site Lease or pursuant to the Trust Agreement. All such Lease Payments, Reserve Replenishment Rent, Prepayments and such other amounts to which the Corporation may at any time be entitled (other than amounts due to the Corporation under the Lease) will be paid directly to the Trustee, and all of the Lease Payments, Reserve Replenishment Rent, and Prepayments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within five Business Days after the receipt thereof, and all such Lease Payments will be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, and all such Prepayments will be forthwith deposited by the Trustee upon the receipt thereof in the

Prepayment Fund, and all such Reserve Replenishment Rent will be forthwith deposited by the Trustee upon receipt thereof in the Reserve Fund.

(b) Security Interest in Moneys and Funds. The Corporation and the District, as their interests may appear, have granted to the Trustee for the benefit of the Owners a lien on and a security interest in all moneys in the funds held by the Trustee under the Trust Agreement (excepting only the Project Fund and Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund (including payments of Reserve Replenishment Rent pursuant to the Trust Agreement), the Prepayment Fund and the Net Proceeds Fund, and all such moneys will be held by the Trustee in trust and applied to the respective purposes specified therein and in the Lease.

(c) Pledge of Lease Payments and Lease Proceeds. The Lease Payments and any Lease Proceeds have been irrevocably pledged pursuant to the Trust Agreement to and will be used for the punctual payment of the interest and principal represented by the Certificates and the Lease Payments and Lease Proceeds will not be used for any other purpose while any of the Certificates remain Outstanding. The pledge contained in the Trust Agreement and summarized in this subsection will constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms thereof, subject to the Lease.

Establishment of Lease Payment Fund. The Trustee will establish a special fund designated as the “Antelope Valley Community College District Certificates of Participation, Series 2026 Lease Payment Fund.” All moneys at any time, from whatever sources deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as thereafter set forth.

Deposits. There will be deposited in the Lease Payment Fund all Lease Payments and in the Prepayment Fund all Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease, and any other moneys required to be deposited therein pursuant to the Lease, including without limitation provisions of the Lease regarding proceeds of rental interruption insurance or pursuant to the Trust Agreement, which moneys will be applied as a credit towards any Lease Payment then due.

Application of Moneys. Except as provided in the Trust Agreement, all amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same will become due and payable, in accordance with the provisions of the Trust Agreement, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund, as provided in the Trust Agreement.

On each Certificate Payment Date, the Trustee first will set aside in the Lease Payment Fund an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and wire such amount as provided in the Trust Agreement to the Owners; and second will set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

Surplus. Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including payment of any applicable fees, expenses or other amounts owed to the Trustee pursuant to the Trust Agreement, and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will be withdrawn by the Trustee and remitted to the District.

RESERVE FUND

Establishment of Reserve Fund. The Trustee will establish a special fund designated as the “Antelope Valley Community College District Certificates of Participation, Series 2026 Reserve Fund,” referred to therein as the “Reserve Fund.” All moneys at any time on deposit in the Reserve Fund (including any Reserve Facility thereafter provided to satisfy the Reserve Requirement in whole or in part) will be held by the Trustee in trust for the benefit of the Owners of the Certificates, as a reserve for the payment when due of all the Lease Payments to be paid pursuant to the Lease and of all payments with respect to the Certificates and applied solely as provided therein.

Funding.

(a) Reserve Requirement. There will be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a partial prepayment or defeasance of the Certificates, the Reserve Requirement will thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in the Trust Agreement. On the Closing Date, there will be deposited in the Reserve Fund an amount equal to the Reserve Requirement. The Reserve Requirement may thereafter be satisfied by the District crediting to the Reserve Fund moneys or, with notice to the Rating Agency, another Reserve Facility or Facilities, or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; provided, however, the long-term unsecured debt or claim-paying ability or financial strength, as the case may be, of the provider of any such Reserve Facility, must be rated by the Rating Agency, at the time of deposit, no lower than that of the District.

The term of any Reserve Facility will either be equal to the term of the Lease or a rollover of the Reserve Facility or other equivalent replacement will be required such that the aggregate term of all Reserve Facilities will equal the term of the Lease.

(b) Reserve Facility. Any amounts paid pursuant to any Reserve Facility will be deposited in the Reserve Fund. The District may substitute moneys for all or part of the amount available to be drawn under a Reserve Facility so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under all Reserve Facilities (taking into account any reduction in the amount available under such Reserve Facility to be made in connection with said substitution) will be at least equal to the Reserve Requirement.

Amounts on deposit in the Reserve Fund which are not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement will be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under any Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under the Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) Delinquent Lease Payments. If the sum of the amount on deposit in the Reserve Fund, plus the amount available under any Reserve Facilities, shall be reduced below the Reserve Requirement, the first payments of Lease Payments thereafter payable by the District and not needed to pay interest and principal components of Lease Payments payable to the Certificate Owners on the next Certificate Payment Date will be used to first, reimburse the any Reserve Facility for any repayment or payment obligation owing thereto for any draw on such other Reserve Facility to the Reserve Fund and second, to increase the balance in the Reserve Fund to an amount which, when added to the amount available under any Reserve Facilities, is equal to the Reserve Requirement.

(d) Certain Net Proceeds. Net Proceeds of rental interruption insurance will be deposited as provided in the Lease and the Trust Agreement.

(e) Reserve Replenishment Rent. Any Reserve Replenishment Rent payable pursuant to the Lease will be deposited in the Reserve Fund, or paid to a provider of a Reserve Facility, as applicable.

Transfers of Excess. The Trustee will, on or before November 15 and May 15 of each year, provide written notice to the District of any moneys which are estimated to be on hand in the Reserve Fund (including investment earnings) in excess of the Reserve Requirement on the next succeeding December 1 or June 1, as the case may be, and no later than three (3) Business Days immediately preceding any Lease Payment Date, the Trustee will transfer such excess moneys to the Lease Payment Fund to be applied to the Lease Payment then due from the District. In the event of such a partial prepayment or defeasance of Certificates, a proportionate amount in the Reserve Fund (determined on the basis of the principal evidenced by Certificates to be prepaid or redeemed, and the original aggregate principal evidenced by the Certificates, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement as summarized in “– Reserve Requirement” above) will, at the direction of the District, be applied to the prepayment or defeasance of Certificates as provided in the Trust Agreement.

The transfers described above are in each case subject to the requirement that if the Certificate proceeds will have become subject to the arbitrage rebate provisions of Section 148(f) of the Code as described in the Trust Agreement then certain investment earnings are to be transferred to the Rebate Fund at the direction of the District as provided in the Trust Agreement.

Application of Reserve Fund in the Event of Delinquency in Lease Payment Fund.

(a) Whether or not Lease Payments are then in abatement, if three (3) Business Days immediately preceding any Certificate Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee first will apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the District by transferring the amount necessary for such purpose to the Lease Payment Fund. All cash and investments in the Reserve Fund will be transferred to the Lease Payment Fund before any drawing will be made on any Reserve Facility. The Trustee will take whatever action is necessary to liquidate or draw upon investments of funds held in the Reserve Fund or draw upon the Reserve Facility securing the Reserve Fund to make such funds available for application as provided thereunder on the Certificate Payment Date.

(c) Draws on all Reserve Facilities on which there is Available Coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund.

Trustee to Make All Lease Payments. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal or interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any), the Trustee will, upon the written direction of the District Representative, transfer all amounts in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the District and such moneys will be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and the Trustee’s fees and expenses pursuant to the Trust Agreement, and any other Additional Payments due under the Lease, or upon provision for such payments as provided in the Trust Agreement and provisions for any

amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will at the written direction of the District, be withdrawn by the Trustee and paid to the District.

NET PROCEEDS FUND

Establishment of Net Proceeds Fund; Deposits. The Trustee will establish when required a special fund designated as the “Antelope Valley Community College District Certificates of Participation, Series 2026 Net Proceeds Fund,” referred to therein as the “Net Proceeds Fund,” to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided therein. The Trustee will deposit Net Proceeds in the Net Proceeds Fund as provided in the Lease.

Disbursements.

(a) Casualty Insurance. The Trustee will disburse Net Proceeds for replacement or repair of the Property as provided in the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement. After all of the Certificates have been paid and the entire amount of principal and interest with respect to the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, the Trustee will pay any remaining moneys in the Net Proceeds Fund to the District after payment of any amounts due to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease.

(b) Title Insurance. Proceeds of any policy of title insurance received by the Trustee with respect to the Property will be applied and disbursed by the Trustee upon the written request of the District as follows:

(i) If the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds will be remitted to the District and used for any lawful purpose thereof; or

(ii) If the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee will immediately deposit such proceeds in the Prepayment Fund and such proceeds will be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Cooperation. The Corporation and the Trustee will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee will not be obligated to take any action thereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

MONEYS IN FUNDS; INVESTMENT

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement (other than the Project Fund and the Rebate Fund) are irrevocably held in trust for the benefit of the Owners and,

in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes therein specified, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

Investments Authorized.

(a) By Trustee. Subject to the further provisions of the Trust Agreement, moneys held by the Trustee thereunder will be invested and reinvested on maturity by the Trustee pursuant to the Trust Agreement. The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available based upon information supplied by the District.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund will mature not later than the Certificate Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Project Fund will not mature later than the dates upon which such funds will be needed to be expended for the payment of Delivery Costs or Project Costs.

(b) Upon Direction of the District. The District Representative will direct by facsimile or electronic mail such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect, confirmed by written order filed with the Trustee. In the event that the District Representative does not so direct the Trustee, the Trustee will invest in the Permitted Investments described in paragraph (b)(iv) of the definition thereof contained in Section 1.01 of the Trust Agreement.

(c) Registration. Such investments, if registerable, will be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(d) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to any provider of, Permitted Investments thereunder. The District has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee thereunder.

(e) Trustee Standard of Care. Except as otherwise provided in the Trust Agreement, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds or sale of such investment made by it in accordance with the Trust Agreement or disposition made by it in accordance with the Trust Agreement.

Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee thereunder will be credited to the respective fund for which it is held, except as otherwise provided in the Trust Agreement.

Accounting. The Trustee will furnish to the District, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee will not be obligated to deliver an accounting for

any fund or account that (i) has a balance of zero and (ii) has not had any activity since the last reporting date. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Valuation and Disposition of Investments.

(a) Valuation. For the purpose of determining the amount in any fund, all Permitted Investments (except investment agreements) credited to such fund will be valued at the lower of the cost or the market price, exclusive of accrued interest. With respect to all funds and accounts, investments will be valued by the Trustee (i) not less often than annually, and as otherwise directed by the District, and (ii) upon any draw upon the Reserve Fund. In making any such valuations, the Trustee may utilize, and conclusively rely upon, such valuation services as may be available to the Trustee, including those within its regular accounting system.

(b) Disposition. Subject to the provisions of the Trust Agreement, the Trustee, upon direction in writing by the District, will sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited.

Commingling of Moneys in Funds. The Trustee may, and upon the written request of the District Representative will, commingle any of the funds held by it pursuant to the Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder will be accounted for separately notwithstanding such commingling by the Trustee. The District will ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and will provide direction to the Trustee accordingly.

THE TRUSTEE

Appointment of Trustee.

(a) Appointment. U.S. Bank Trust Company, National Association, a national banking association organized under the laws of the United States of America, has been appointed as Trustee by the Corporation and the District.

(b) Qualifications. The Corporation and the District have agreed that they will maintain a Trustee having a corporate trust office in St. Paul, Minnesota, New York, New York, San Francisco, California or Los Angeles, California capable of exercising trust powers in the State of California, with a combined capital (exclusive of borrowed capital) and a surplus of at least Seventy-Five Million Dollars (\$75,000,000), or be a member of a bank holding company system, which will have a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of the Trust Agreement the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) Removal. So long as there is no Event of Default then in effect, the District may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(d) Resignation. The Trustee may, upon prior written notice to the District and the Corporation, resign; provided that such resignation will not take effect until the successor Trustee is appointed as provided in the Trust Agreement. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee. In the event the District does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustee's resignation, then the Trustee, at the cost of the District, may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

(e) Successor. Any successor Trustee will be a bank, national banking association or trust company meeting the qualifications as set forth in the Trust Agreement. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee will mail notice thereof to (i) the District and the Corporation, and (ii) the Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to the Trust Agreement.

Merger or Consolidation. Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under the Trust Agreement, will be the successor to the Trustee without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

Protection of the Trustee.

(a) Reliance Upon Papers or Documents. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile transmission, electronic mail, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it will in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee has agreed to accept and act upon instructions or directions pursuant to the Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(b) Reliance Upon Opinions of Counsel. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it thereunder in good faith in accordance therewith. Before being required to take any action, the Trustee may require an opinion

of Independent Counsel which opinion will be made available to the other parties thereto upon request, which counsel may be counsel to any of the parties thereto, or a verified certificate of any party thereto, or both, concerning the proposed action. If it does so in good faith, Trustee will be absolutely protected in relying thereon.

(c) Reliance Upon Requested Certificates. Whenever in the administration of its duties under the Trust Agreement, the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed), in the absence of bad faith on its part, will be deemed to be conclusively proved and established by the certificate of the District Representative or the Corporation Representative and such certificate will be full warranty to the Trustee, in the absence of bad faith on its part, for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Rights of the Trustee.

(a) Ownership of Certificates. The Trustee may become the Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other certificates or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee will represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(b) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers thereof and perform the duties required of it thereunder by or through attorneys, agents, or receivers, will not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and will be entitled to advice of counsel concerning all matters of trust and its duty thereunder; provided that the Trustee will not assign any of its trust responsibilities without the prior written consent of the District.

(c) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to the Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties thereunder.

Standard of Care. So long as there is no Event of Default, (a) the Trustee will not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct, and (b) the Trustee will only perform those duties specifically set forth therein and no implied duties, covenants or obligations will be read into the Trust Agreement. In the event of and during the continuance of an Event of Default, the Trustee will exercise such care in performing its duties thereunder as a prudent person would exercise in the conduct of his or her affairs.

Compensation of the Trustee. As an Additional Payment under the Lease, the District will from time to time on demand, pay to the Trustee reasonable compensation for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under the Trust Agreement pursuant to a written agreement between the District and the Trustee, and the reimbursement for all expenses incurred in and about the performance of its powers and duties under the Trust Agreement. The District's obligation thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates and resignation or removal of the Trustee.

Indemnification of Trustee. The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, representatives, and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition, construction or management of, or from any work or thing done on the Property or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Trust Agreement and any other agreement made and entered into for purposes of the Property or the Project, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project, (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property or the Project, (v) the expenditure of Delivery Costs, or (vi) the exercise and performance by the Trustee of its powers and duties thereunder or any related document, (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or the Trust Agreement or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates. The indemnification set forth in the Trust Agreement will extend to the Trustee's officers, agents, employees, representatives, successors and assigns. No indemnification will be made under the Trust Agreement or elsewhere in the Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, directors, agents, employees, successors or assigns. The District's obligations thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Corporation and the District, having any claim against the Trustee arising from the Trust Agreement will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in the Trust Agreement. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

No provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder or in the exercise of any of its rights or powers.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right thereunder.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

Every provision of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee will be subject to the provisions of the Trust Agreement.

The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee will not be deemed to have knowledge of any Event of Default thereunder or under the Lease unless a Responsible Officer of the Trustee has received written notice or has actual knowledge thereof at its Principal Office.

The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of an unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, pandemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein.

The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance with the Trust Agreement.

MODIFICATION OR AMENDMENT OF AGREEMENTS

Amendments Permitted.

(a) With Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District, and the Owners thereunder, may be modified or amended at any time, by a supplemental agreement or amendment thereto which will become effective, with the prior written consent of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and with notice to the Rating Agency, exclusive of Certificates disqualified as provided in the Trust Agreement. No such modification or amendment will:

(i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or

(ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, the Lease, or the Site Lease, or

(iii) modify any of the rights or obligations of the Trustee without its written assent thereto, or

(iv) amend the provisions summarized under the subheading “MODIFICATION OR AMENDMENT OF AGREEMENTS – Amendments Permitted” above, without the prior written consent of the Owners of all Certificates then outstanding.

The Trustee will be furnished such Opinions of Counsel as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners and (ii) that the amendment will not, in and of itself, affect the tax status of interest with respect to the Certificates. Any such supplemental agreement or amendments thereto shall become effective as provided in the Trust Agreement. The Trustee may rely on an Opinion of Counsel that each such amendment is authorized or permitted pursuant thereto.

(b) Without Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District and the Owners thereunder, may be modified or amended at any time by a supplemental agreement or amendments thereto, with notice to the Rating Agency, and without the consent of any such Owners, only to the extent permitted by law, and only:

- (i) to add to the covenants and agreements of the District and the Corporation thereunder,
- (ii) to cure, correct or supplement any ambiguous or defective provision contained therein,
- (iii) in regard to matters arising thereunder, as the parties thereto may deem necessary or desirable (which may be based upon opinions as provided in the Trust Agreement), will not adversely affect the interest of the Owners,
- (iv) to substitute the Property, or a portion thereof, in accordance with the Lease,
- (v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates,
- (vi) to add to the rights of the Trustee,
- (vii) to maintain the rating or ratings assigned to the Certificates, or
- (viii) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of the Trust Agreement.

No such modification or amendment, however, will modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective upon execution and delivery by the parties thereto as the case may be. The Trustee may rely upon an opinion of counsel that each amendment is authorized or permitted by the Trust Agreement.

Procedure for Amendment with Written Consent of the Owners. The Trust Agreement, the Site Lease or the Lease may be amended by supplemental agreement as provided in the Trust Agreement in the event the consent of the Owners is required pursuant to the Trust Agreement. Such supplemental agreement, together with a request to the Owners for their consent thereto, will be mailed by the Trustee to each Owner of a Certificate at his or her address as set forth in the Certificate registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such supplemental agreement and request so mailed will not affect the validity of the supplemental agreement when assented to as in the Trust Agreement provided.

Such supplemental agreement will not become effective unless there will be filed with the Trustee the written consents of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in the Trust Agreement) and notices

will have been mailed as thereafter in the Trust Agreement provided. Any such consent will be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice thereafter in the Trust Agreement provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consent to such supplemental agreement, the Trustee will mail a notice to the Owners of the Certificates in the manner provided in the Trust Agreement for the mailing of such supplemental agreement, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in the Trust Agreement (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the Trust Agreement to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. The Trustee may obtain and conclusively rely on an opinion of counsel with regard to such matters.

Disqualified Certificates. Certificates owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. Upon request of the Trustee, the District and the Corporation will specify in a certificate to the Trustee those Certificates disqualified pursuant to the Trust Agreement and the Trustee may conclusively rely on such certificate.

The District or the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for in the Trust Agreement will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to the Trust Agreement, the Site Lease or the Lease, as the case may be, will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Certificates Outstanding, as the case may be, will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement will be deemed to be part of the terms and conditions of the Trust Agreement or the Lease, as the case may be, for any and all purposes.

Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in the Trust Agreement will bear a notation, by endorsement, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his or her Certificate for such purpose at the Principal Office, a suitable notation will be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District, are necessary to conform to such Owner's action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate will be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Amendatory Endorsement of Certificates. Subject to the Trust Agreement, the provisions of the Trust Agreement will not prevent an Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

Copies of Amendments Delivered to the Rating Agency. Copies of any modifications or amendments to the Trust Agreement, the Lease, the Site Lease or the Assignment Agreement will be delivered by the District to the Rating Agency at least 10 days prior to the effective date thereof.

COVENANTS; NOTICES

Compliance With and Enforcement of the Lease. The District has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease. The Corporation has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District, will deliver the same, or a copy thereof, to the Trustee.

Payment of Taxes. The District will pay all taxes as provided in the Lease.

Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a community college district, to the end that such rights, privileges and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

Prosecution and Defense of Suits. The District will promptly, and also upon request of the Trustee or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and will prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee, and every Owner harmless from all loss, cost, damage and expense including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

District Budgets. In accordance with the Lease, the District Representative will certify to the Trustee on or before July 1 of each year that the District has included all Lease Payments (other than Lease Payments of advance rental), Reserve Replenishment Rent, and Additional Payments due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Reserve Replenishment Rent, and Additional Payments in such annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure will constitute an Event of Default under the Lease. The Trustee will forward a copy of such notice to the Corporation. Upon receipt of such notice, the District will notify the Trustee of the proceedings proposed to be taken by the District, and will keep the Trustee advised of all proceedings thereafter taken by the District.

Further Assurances. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out

the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Owners the rights and benefits provided therein.

Continuing Disclosure. The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default or an event of default thereunder; however, any Owner or Beneficial Owner 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 the Trust Agreement and the Continuing Disclosure Certificate.

LIMITATION OF LIABILITY

Limited Liability of the District. Except for the payment of Lease Payments, Reserve Replenishment Rent, Additional Payments and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained therein and in the Lease, the District will have no obligation or liability to any of the other parties or to the Owners with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

No Liability of the District or Corporation for Trustee Performance. Except as expressly provided therein, neither the District nor the Corporation will have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Limited Liability of Trustee.

(a) No Investment Advice. The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

(b) Sufficiency of the Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, will incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Certificates assigned to or imposed upon it. The Trustee will not be responsible for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee will not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in the Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(c) Actions of Corporation and the District. The Trustee will have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement or the Lease, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it thereunder as provided in the Trust Agreement.

(d) Recitals and Agreements of Corporation and the District. The recitals of facts, covenants and agreements therein and in the Certificates contained will be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

Limitation of Rights to Parties and Certificate Owners. Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or will be construed to give any person other than the

District, the Corporation, the Trustee, and the Owners, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision thereof; and all such covenants, conditions and provisions are and will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, and the Owners.

No Liability of the Corporation to the Owners. Except as expressly provided therein, the Corporation will not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District or with respect to the observance or performance by the District of the other agreements, conditions, and covenants imposed upon the District by the Lease or by the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Assignment of Rights. The parties thereto acknowledge that pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Corporation's rights under the Lease and the Site Lease.

Events of Default.

(a) Remedies. If an Event of Default will happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus; provided, however, that notwithstanding anything therein or in the Lease to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE;.

(b) Actual Knowledge. The Trustee will not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Principal Office.

(c) Action on Default. If an Event of Default (within the meaning of the Lease) will happen, then such Event of Default will constitute an Event of Default thereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Lease or under the Trust Agreement to the District, and will do so if directed to do so by the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee (a) may, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, and (b) will, upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease and may, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Lease, will be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement and the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee in declaring such Event of Default and in performing its duties thereunder, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Institution of Legal Proceedings. If one or more Events of Default will happen and be continuing, the Trustee will, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or the Lease, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties thereunder; provided that such written request will not be otherwise than in accordance with provisions of law and the Trust Agreement and that the Trustee will have the right to decline to follow any such written request if the Trustee will be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith will determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability.

Non Waiver. Nothing in the Trust Agreement or in the Certificates will affect or impair the obligation of the District which is absolute and unconditional, to pay or prepay the Lease Payments or Additional Payments as provided in the Lease. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement to the Trustee or to the Owners may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners.

Remedies Not Exclusive. No remedy therein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion, or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal,

compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Outstanding Certificates thereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed thereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) there shall have been a default in the payment of such Owner's proportionate interest in the Lease Payments as the same become due.

Such notification, request, tender of indemnity, refusal or omission, and default are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy thereunder; it being understood and intended that no one or more Owners will have any right in any manner whatever by his or her or their action to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of the Trust Agreement or any other provision of the Trust Agreement.

Agreement to Pay Attorneys' Fees and Expenses. In the event any party to the Trust Agreement should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party has agreed that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

MISCELLANEOUS

Defeasance.

(a) Methods. If and when any Outstanding Certificates will be paid and discharged in any one or more of the following ways:

(i) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(ii) Cash: prior to maturity, by depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, an amount of cash which (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all

Outstanding Certificates, and cash then on deposit in the Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement)), is fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date; or

(iii) Defeasance Securities: prior to maturity, by irrevocably depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, Defeasance Securities together with cash, if required (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit in the Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement), in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due thereunder have been paid in full, then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to provisions of the Trust Agreement summarized in (i) and (iii) above, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to the provisions of the Trust Agreement summarized in (ii) and (iii) above, the Certificates will continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(b) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures of the Trust Agreement described in paragraphs (a)(i) through (a)(iii) above, which are not required for the payment to be made to Owners, will be paid over to the District, after the payment of any amounts due to the Trustee pursuant to the Trust Agreement, and any other Additional Payments due under the Lease.

(c) Surviving Provisions. Notwithstanding the satisfaction and discharge thereof, the Trustee will retain such rights, powers and privileges thereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, with respect to the Certificates and for the registration, transfer and exchange of the Certificates.

(d) Opinions and Reports. Prior to any defeasance becoming effective under the Trust Agreement, the District will cause to be delivered (i) an executed copy of a report, addressed to the Trustee and the District, in a form and substance acceptable to the Trustee and the District, of a nationally recognized firm of certified public accountants, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of the Trust Agreement, (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance, and (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee and the District, in form and substance acceptable to the District, covering the validity and enforceability of the escrow agreement and substantially to the effect that such Certificates are no longer Outstanding under the Trust Agreement.

Non-Presentation of Certificates. In the event any Certificate will not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the District to the Owner thereof for payment of such Certificate will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of

such Certificate who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Trust Agreement or on, or with respect to, said Certificate.

Any moneys so deposited with and held by the Trustee not so applied to the payment of interest or principal with respect to Certificates within two (2) years after the date on which the same shall have become due will be paid by the Trustee to the District, free from the trusts created by the Trust Agreement. In addition, Trustee will be indemnified from and against any and all liabilities to third parties resulting from its actions under the Trust Agreement. Thereafter, Owners will be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District will not be liable for any interest on the sums paid to it pursuant to the provisions of the Trust Agreement summarized in this paragraph and will not be regarded as a trustee or trustees of such money.

Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase, gift or otherwise, will be surrendered by the District to the Trustee for cancellation.

Records. The Trustee will keep complete and accurate records of all moneys received and disbursed by it under the Trust Agreement, which will be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Waiver of Notice. Whenever in the Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Separability of Invalid Provisions. In case any one or more of the provisions contained in the Trust Agreement or in the Certificates will for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability will not affect any other provision of the Trust Agreement, and the Trust Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The parties thereto declare that they would have entered into the Trust Agreement and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Trust Agreement may be held illegal, invalid or unenforceable.

Interested Parties. Nothing in the Trust Agreement expressed or implied is intended or will be construed to confer upon, or to give grant to any person or entity, other than the District, the Corporation, the Trustee, and the Owners of the Certificates, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the District will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, and the registered owners of the Certificates.

THE ASSIGNMENT AGREEMENT

The Assignment Agreement provides for the transfer, assignment and setting over by the Corporation to the Trustee, for the benefit of the Owners of Certificates, all of the Corporation's rights, title and interest (but none of its obligations) under the Lease (excepting only the Corporation's rights to recover attorneys' fees and expenses in the event the Corporation is a non-defaulting party to the Lease after a default), including, without limitation, (1) the right to receive and collect all of the Lease Payments, Additional Payments and Prepayments (except to the extent payable to the Corporation) from the District under the Lease or the Trust Agreement; (2) the right to receive and collect any proceeds of any insurance maintained pursuant to the Lease, or any condemnation award rendered with respect to the Property or any

lease of the Property in the event of a default by the District under the Lease; (3) the right to take all actions and give all consents under the Lease; (4) the right to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (a) to enforce payment of the Lease Payments, Additional Payments, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Net Proceeds Fund or any other fund established under the Trust Agreement, or (b) otherwise to protect the interests of the Corporation in the event of a default by the District under the Lease; and (5) the right of the Corporation to receive rentals in excess of Lease Payments as compensation for re-letting the Property upon events of default under the Lease. The Trustee accepts such assignment for the benefit of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

THE SITE LEASE

Pursuant to the Site Lease, the District, as lessor, leases to the Corporation, as lessee, all of its right, title and interest in the Property. The term of the Site Lease will commence as of the date of the Lease and will remain in effect until the expiration of the term of such Lease. The Property will be simultaneously leased back to the District under the Lease, and title will remain in the District.

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APPENDIX B

**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL
FOR THE CERTIFICATES**

_____, 2026

Board of Trustees
Antelope Valley Community College District

**§ _____
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
Certificates of Participation, Series 2026
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT**

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$ _____ principal amount of Antelope Valley Community College District Certificates of Participation, Series 2026 and dated the Date of Delivery (the "Certificates"), evidencing the fractional and undivided interests of the registered owners thereof in the right to receive certain Lease Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Lease/Purchase Agreement (the "Lease"), dated as of November 1, 2026, between the Antelope Valley Community College District (the "District") and the Public Property Financing Corporation of California, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), all of which right to receive such Lease Payments has been assigned without recourse by the Corporation to U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), pursuant to the Trust Agreement, dated as of November 1, 2026, by and among the District, the Corporation and the Trustee (the "Trust Agreement"), which Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to certify the same by independent investigation.

In our opinion, such proceedings show lawful authority for the execution and delivery by the District of the Trust Agreement and the Lease under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and the Corporation as appropriate, are valid and binding obligations of the District, enforceable against the District in accordance with their respective terms. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement. The obligation of the District to make the Lease Payments under the

Lease does not constitute a debt of the District or the State of California, or of any political subdivision thereof, within the meaning of any constitutional debt limit or restriction, does not violate any statutory debt limitation, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

We are further of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Certificates might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

We are further of the opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

We are further of the opinion that the difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Certificates (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate.

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

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Certificate if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Certificates.

The opinions expressed herein as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the delivery of the Certificates there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Certificates or the market value of the Certificates. No assurance can be given that subsequent to the delivery of the Certificates such changes or interpretations will not occur.

With respect to the opinions expressed herein, the rights and obligations under the Certificates, the Lease and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

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APPENDIX C

2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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See what's possible.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT LANCASTER, CALIFORNIA

AUDIT REPORT

JUNE 30, 2025

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, and the fiduciary activities of Antelope Valley Community College District (the "District") as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary activities of the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences* which required a restatement of net position as of July 1, 2024. 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 these 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 misstatements, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of the management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



San Diego, California
December 29, 2025

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

This section of Antelope Valley Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2025.

The California Community College Chancellor's Office has recommended that all State community college Districts follow the new standards under the Business-Type Activity ("BTA") model. The District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office and to report in a manner consistent and comparable with other community college districts.

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current year data. As required by accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

Some of the changes in the financial statements that have resulted under the BTA model from the implementation of these standards are:

- Revenues and expenses are categorized as either operating or non-operating
- Pledges from donors (excluding permanent endowments) are recorded, as receivable and non-operating revenues at the date of the pledge
- Capital assets are included in the statement presentations

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$178,096,643 at June 30, 2025. This is a change from the total combined net position as of June 30, 2024, which reflected \$155,173,589.
- During the fiscal year, the District's total expenses, were \$220,069,082. There was an excess of revenues over expenses including prior period adjustment of \$22,923,054.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Statement of Net Position

The Statement of Net Position (see page 15, Basic Financial Statements section) presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to the accounting basis used by most private-sector institutions. Net position – the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources, is one way to measure the financial health of the District. The data allows readers to determine the assets available to continue the operations of the District. The net position of the District consists of three major categories.

- Net investment in capital assets – The District's equity in property, plant and equipment net of associated outstanding debt obligations related to those capital assets.
- Restricted net position (either expendable or nonexpendable) – The District is restricted by use constraints placed on them by outside parties such as through agreements, laws, or regulations of creditors or other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – The District can use them for any lawful purpose. Although unrestricted, the District's governing board may place internal restrictions on net position, but it retains the power to change, remove, or modify these restrictions.

The District's net position remained positive in fiscal year 2025. Current assets increased by \$13,126,863 or 10.30 percent. Current liabilities decreased by \$10,838,615 or by 14.81 percent mainly due to accounts payable and accrued expenses. The final paycheck for the fiscal year is accrued in the current fiscal year and paid out of the following fiscal year. Unearned revenue mainly occurs with restricted programs and grants or from the summer session. The revenues cannot be "earned" until they are expended.

	2025	2024	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 140,598,218	\$ 127,471,355	\$ 13,126,863
Non-current assets	627,449,564	590,822,275	36,627,289
Deferred outflows of resources	50,788,067	49,039,674	1,748,393
Total Assets and Deferred Outflows of Resources	818,835,849	767,333,304	51,502,545
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	62,323,736	73,162,351	(10,838,615)
Non-current liabilities	564,858,358	523,362,769	41,495,589
Deferred inflows of resources	13,557,112	15,634,595	(2,077,483)
Total Liabilities and Deferred Inflows of Resources	640,739,206	612,159,715	28,579,491
NET POSITION			
Net investment in capital assets	140,078,862	143,881,612	(3,802,750)
Restricted	20,124,299	16,792,764	3,331,535
Unrestricted	17,893,482	(5,500,787)	23,394,269
Total Net Position	\$ 178,096,643	\$ 155,173,589	\$ 22,923,054

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (see page 16, Basic Financial Statements section) presents the operating results of the District. The purpose of the statement is to present the revenues received and expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total net position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues are received for those expenses paid to acquire or produce the goods and services provided in the course of carrying out the mission of the District.

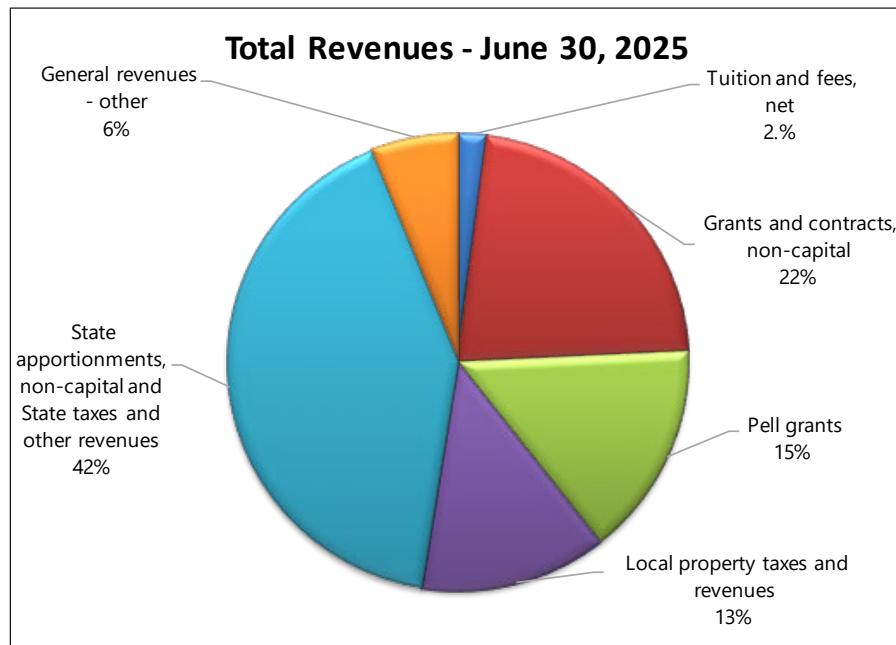
The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in tuition and fees, state apportionment, and state aid. The change in net position at June 30, 2025 has increased at the end of the year by \$2,507,637 from June 30, 2024. Including an adjustment to the prior period, the District reports an increase in its total net position of \$22,923,054 for this fiscal year. Below is a summary of changes in revenues and expenses for the years ended June 30, 2025 and June 30, 2024:

	2025	2024	Change
REVENUES			
Tuition and fees, net	\$ 4,949,746	\$ 4,576,030	\$ 373,716
Grants and contracts, non-capital	54,157,598	46,459,619	7,697,979
Pell grants	36,538,880	29,051,477	7,487,403
Local property taxes and revenues	32,659,541	30,043,838	2,615,703
State apportionments, non-capital and State taxes and other revenues	100,956,286	92,833,200	8,123,086
General revenues - other	15,129,633	17,571,755	(2,442,122)
Total Revenues	244,391,684	220,535,919	23,855,765
EXPENSES			
Expenses	219,933,116	190,817,710	29,115,406
Interest expense on capital asset-related debt	135,966	9,333,326	(9,197,360)
Total Expenses	220,069,082	200,151,036	19,918,046
Changes in Net Position	24,322,602	20,384,883	3,937,719
Prior Period Adjustment (see note 15)	(1,399,548)	30,534	(1,430,082)
Changes in Net Position	\$ 22,923,054	\$ 20,415,417	\$ 2,507,637

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

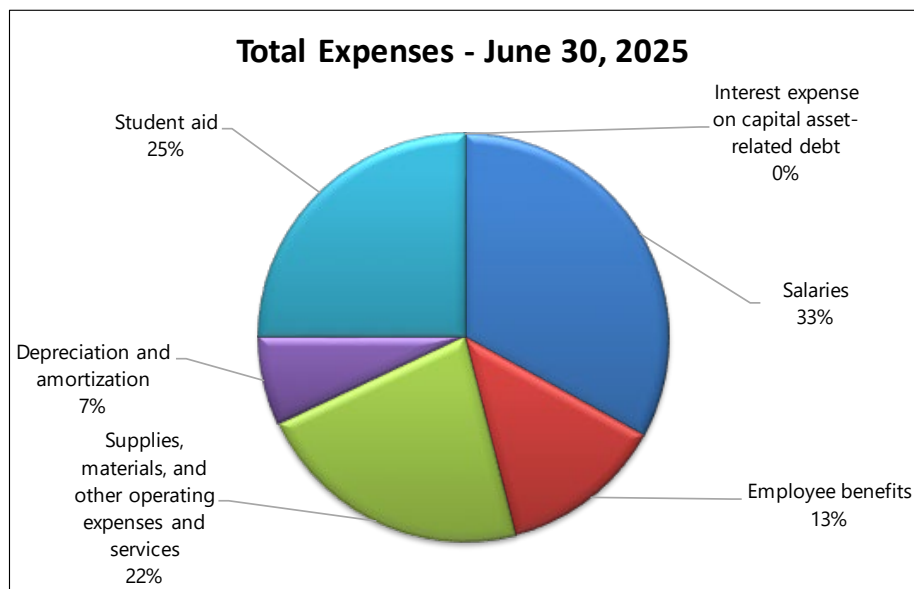
Total Revenues for the Year Ended June 30, 2025

The following chart graphically shows the various components of revenue for the District as a whole:



Total Expenses for the Year Ended June 30, 2025

The following chart graphically shows the various components of expenses for the District as a whole:



**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Statement of Cash Flows

The statement of cash flows (see pages 17 and 18, Basic Financial Statements section) provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and show the net cash used in the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. The net cash used by the District for operating activities for the period ended June 30, 2025 was \$162,355,341.

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2025 totaled \$489,366,700. This represented an increase in capital assets of \$20,637,214 from the prior year or a 4.40 percent increase from 2024 due to changes in construction in progress and machinery equipment. The District's constructions are funded by utilizing redevelopment funding, State scheduled maintenance funds, and approved bond measures. Below is a summary of the District's capital assets.

	2025	2024	Change
Capital Assets not being depreciated	\$ 52,010,717	\$ 76,519,643	\$ (24,508,926)
Capital Assets being depreciated	554,112,744	496,201,102	57,911,642
Accumulated depreciation	(116,756,761)	(103,991,259)	(12,765,502)
Total Capital Assets, net	\$ 489,366,700	\$ 468,729,486	\$ 20,637,214

Long-Term Liabilities

The District's total long-term liabilities at June 30, 2025 totaled \$577,357,978. Of this amount, \$12,499,620 is due in the upcoming fiscal year. Long-term liabilities have increased by \$42,406,933 or 7.93 percent due to issuance of 2016 Series D General Obligation Bond in 2025. Below is a summary of the District's long-term liabilities.

	2025	2024	Change
General obligation, accreted interest and bond premium	\$ 479,179,924	\$ 436,871,638	\$ 42,308,286
Compensated absences	3,218,302	2,123,715	1,094,587
Net OPEB liability	-	177,406	(177,406)
Net pension liability	72,968,850	73,206,536	(237,686)
Other long-term liabilities	11,035,915	11,073,358	(37,443)
Lease liabilities	10,954,987	11,498,392	(543,405)
Total Long-term Liabilities	\$ 577,357,978	\$ 534,951,045	\$ 42,406,933

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

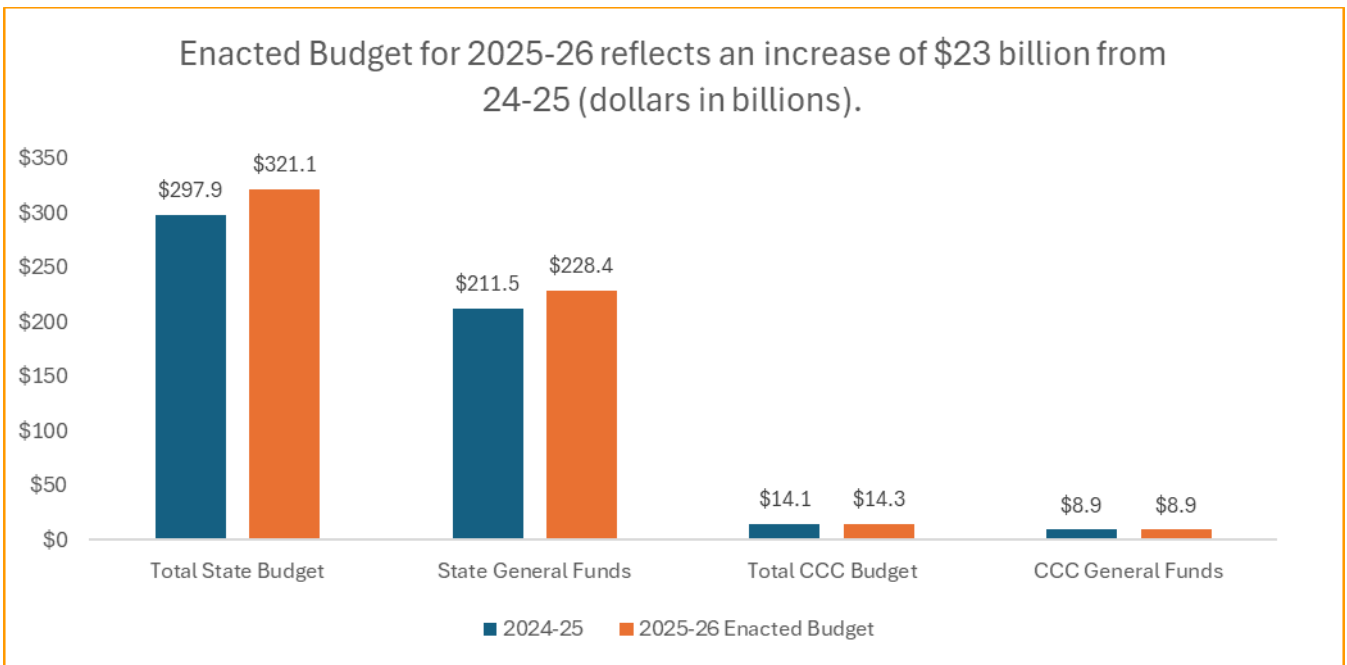
District’s Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of the students and donors for student loans and scholarships. The District’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District’s other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DISTRICT

Enacted State Budget

The 2024-25 Enacted State Budget projected a deficit of \$45 billion in 2024-25 and \$30 billion in 2025-26. To address these shortfalls, the State adopted a multi-year mitigation strategy that reduced prior year funding, cut certain programs, eliminated vacant state positions and included planned withdrawals from the State’s Budget Stabilization Account. Subsequent estimates show the 2024-25 deficit increasing to \$55 billion, while the 2025-26 deficit is projected to decline to \$15 billion. The 2025-26 Enacted State Budget continues efforts to close ongoing budget gaps amid anticipated stock market volatility, potential federal tariffs and rising state costs. Although there were no major core reductions to state funded community college programs or services in either fiscal year, higher education has begun to experience reductions in certain federally funded programs. Overall, the 2025-26 Enacted Budget reflects a 7.8% increase over the 2024-25 year.



**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DISTRICT, continued

Below is the California Community College funding for on-going programs for 2024-25 and 2025-26. Changes are made through the State’s legislative process.

California Community Colleges Ongoing Funding by Program^a (In Millions)

Program	2024-25 Enacted	2025-26 Enacted	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	\$9,571.33	\$10,004.89	\$433.56	4.53%	25-26 adjusted for COLA, growth, and other base adjustments
Adult Education Program - Main ^b	\$659.14	\$674.16	\$15.02	2.30%	COLA
Student Equity and Achievement Program	\$523.98	\$523.98	\$0.00	0.00%	
Student Success Completion Grant	\$412.60	\$412.60	\$0.00	0.00%	
Strong Workforce Program	\$290.40	\$290.40	\$0.00	0.00%	\$60 million to Rebuilding Nursing Infrastructure Grant Program annually for 5 years through 2028-29
Part-time faculty health insurance	\$200.49	\$200.49	\$0.00	0.00%	
Extended Opportunity Programs and Services (EOPS)	\$185.04	\$189.30	\$4.26	2.30%	COLA
Disabled students Programs and Services (DSPS)	\$174.67	\$178.69	\$4.02	2.30%	COLA
Full-time faculty hiring	\$150.00	\$150.00	\$0.00	0.00%	
California College Promise (AB19)	\$91.21	\$91.21	\$0.00	0.00%	
Integrated technology	\$89.50	\$89.50	\$0.00	0.00%	
Financial aid administration	\$80.42	\$83.73	\$3.31	4.12%	Waived fees and per unit adjustment
CalWORKS student services	\$55.64	\$56.92	\$1.28	2.30%	COLA
NextUp (foster youth program)	\$54.11	\$54.11	\$0.00	0.00%	
Basic needs centers	\$43.29	\$43.29	\$0.00	0.00%	
Mathematics, Engineering, Science Achievement (MESA)	\$39.42	\$39.42	\$0.00	0.00%	

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DISTRICT, continued

California Community Colleges Ongoing Funding by Program^a (In Millions), continued

Program	2024-25 Enacted	2025-26 Enacted	Change Amount	Percent Change	Explanation of Change
Mandated Costs Block Grant and reimbursements	\$38.80	\$39.16	\$0.36	0.94%	COLA and updated enrollment adjustment
Apprenticeship (community college districts RSI)	\$34.69	\$35.62	\$0.93	2.69%	COLA
Rising Scholars Network	\$25.00	\$35.00	\$10.00	40.00%	Add base funding to expand network
Cooperative Agencies Resources for Education (CARE)	\$33.84	\$34.61	\$0.78	2.30%	COLA
Student mental health services	\$32.47	\$32.47	\$0.00	0.00%	
CA Apprenticeship Initiative	\$30.00	\$30.00	\$0.00	0.00%	
Institutional effectiveness initiative	\$27.50	\$27.50	\$0.00	0.00%	
Part-time faculty compensation	\$26.54	\$26.54	\$0.00	0.00%	
Part-time faculty office hours	\$23.63	\$23.63	\$0.00	0.00%	
Economic and Workforce Development	\$22.93	\$22.93	\$0.00	0.00%	
Homeless and Housing Insecurity Program 'Rapid Rehousing'	\$20.56	\$20.56	\$0.00	0.00%	
California Virtual Campus	\$20.00	\$20.00	\$0.00	0.00%	
California Online Community College (Calbright College)	\$15.00	\$15.00	\$0.00	0.00%	
Nursing Program Support	\$13.38	\$13.38	\$0.00	0.00%	
Puente Project	\$13.33	\$13.33	\$0.00	0.00%	
Equal Employment Opportunity Program	\$13.88	\$12.77	-\$1.11	-8.02%	Decrease in available Equal Opportunity Fund
Lease revenue bond payment	\$12.79	\$12.77	-\$0.03	-0.20%	Lease Revenue Debt Service Adjustments
Dreamer Resource Liaisons	\$11.60	\$11.60	\$0.00	0.00%	

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DISTRICT, continued

California Community Colleges Ongoing Funding by Program^a (In Millions), continued

Program	2024-25 Enacted	2025-26 Enacted	Change Amount	Percent Change	Explanation of Change
Veterans Resource Centers	\$10.82	\$10.82	\$0.00	0.00%	
Classified Employee Summer Assistance Program	\$10.00	\$10.00	\$0.00	0.00%	
Immigrant legal services through CDSS	\$10.00	\$10.00	\$0.00	0.00%	
Umoja	\$9.18	\$9.18	\$0.00	0.00%	
AANHPI Student Achievement Program	\$8.00	\$8.00	\$0.00	0.00%	
Foster Care Education Program	\$6.15	\$6.15	\$0.00	0.00%	
Credit for Prior Learning	\$0.00	\$5.00	\$5.00	N/A	Expand Credit for Prior Learning Policies
Childcare tax bailout	\$4.32	\$4.42	\$0.10	2.30%	COLA
Rising Scholars Network - Textbooks/Digital Course Content	\$3.00	\$3.00	\$0.00	0.00%	
Student housing lease revenue bond payments	\$0.00	\$2.47	\$2.47	N/A	Lease revenue debt service for community college housing projects
Middle College High School Program	\$1.84	\$1.84	\$0.00	0.00%	
Academic Senate	\$1.80	\$1.80	\$0.00	0.00%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	\$1.38	\$1.38	\$0.00	0.00%	
African American Male Education Network and Development (A2MEND)	\$1.10	\$1.10	\$0.00	0.00%	
Transfer education and articulation (excluding HBCU Transfer Pathway project)	\$0.70	\$0.70	\$0.00	0.00%	
FCMAT	\$0.77	\$0.77	\$0.00	0.00%	
TOTAL	\$13,106.22	\$13,586.17	\$479.95	3.66%	

^a Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.

^b The Adult Education program total includes resources that go to the K-12 system but are included in the CCC budget. The K-12 Strong Workforce program and K-12 Apprenticeship programs are not listed above but are also included in the CCC budget.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DISTRICT, continued

One-time investments advance the objectives of the State's Master Plan for Career Education streamlining system-wide matriculation, technology, and services to ensure student completion. Provisions include funding to assist with workforce recovery efforts in regions impacted by the southern California wildfires.

California Community Colleges One-Time Funding by Program (In Millions)

Program	2024-25 Revised	2025-26 Enacted	Explanation of Change
Student Support Block Grant	\$0.0	\$60.0	Adds one-time funds
Career Passports Program	0.0	25.0	Adds one-time funds
Emergency financial aid assistance	0.0	20.0	Additional one-time funds added (provided for FAFSA delay in 2024-25)
Dreamer Resource Liaisons	0.0	15.0	Adds one-time funds
Scale up for Credit for Prior Learning	6.0	15.0	Additional one-time funds added
Common Cloud Data Platform	0.0	12.0	Adds one-time funds
Property tax backfill for colleges impacted by Los Angeles wildfires	0.0	11.9	Additional one-time funds added
California Healthy School Food Pathway Program	0.0	10.0	Allocation of one-time funds from 2022 Budget Act
LGBTQ+ Student Support	10.0	10.0	Third and final year of one-time funds from 2023 Budget Act
Emergency Medical Technician and Paramedic Preapprenticeship Training	0.0	10.0	Adds one-time funds
Expand e-Transcript California	5.4	6.6	Adds one-time funds to make up for unrealized reappropriated funds in 2024-25 allocation
Reimburse apprenticeship shortfalls from 202	0.0	6.3	Adds one-time funds
Financial aid community outreach	0.0	5.1	Adds one-time funds
Los Angeles region workforce recovery career education	0.0	5.0	Adds one-time funds
Santa Rose Junior College Fire Academy Tower	0.0	0.1	Adds one-time funds
Totals	\$21.40	\$211.86	

OTHER ECONOMIC FACTORS

District Budget

On September 8, 2025, the District's Board of Trustees officially approved the fiscal year 2025-26 District budget. The Antelope Valley College 2025-26 revenue budget factors include the Student Centered Funding Formula (SCFF) adjusted for a 2.30% COLA (Cost of Living Adjustment), 2.35% growth funding, 2.5% Total Computation Revenue (TCR) deficit, and 11,145 Full-Time Equivalent Students (SCFF FTES). Expenditures assume increases in step and column wages, pension rate, inflation and proposed resource allocation funding. Throughout the year, the District routinely revises the budget to accommodate changes in expected revenues and related expenditures

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DISTRICT, continued

OTHER ECONOMIC FACTORS, continued

Pension

CalPERS decreased from 27.05% in 2024-25 to 26.81% in 2025-26 while CalSTRS remains at 19.10%.

Long-term Capital Outlay Funding

Authorized by the Board of Trustees' Resolution 17-18/10 on February 12, 2018, the District has committed \$24,500,000 in Measure AV proceeds to an endowment account maintained through the Los Angeles County Treasurer and Tax Collector's Office for future District small capital projects, instructional equipment and technology projects.

Minimum Wage

California's minimum wage will increase for all employers from \$16.50 to \$16.90 per hour beginning January 1, 2026.

Other Post-Employment Benefits

The District has established a trust for Other Post-Employment Benefits (OPEB) for retiree health and welfare benefits. At June 30, 2025, using the most recent valuation date, the District reported a net OPEB asset.

Pension Stabilization

The District is dedicated to managing its long-term liabilities responsibly. Pursuant to BP 6250, Budget Management, the establishment of a pension stabilization trust fund has been approved, contingent upon its feasibility within the multi-year budget projections. The purpose of the pension stabilization fund is to safeguard the District's ability to fulfill both current and future employer-funded pension obligations.

Reserves

As outlined in BP 6200 Budget Preparation, the Board of Trustees has set a minimum reserve requirement at 17% of the prior fiscal year's actual unrestricted general fund expenditures for the unrestricted reserve.

FINANCIAL SECTION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS

Current Assets:

Cash and cash equivalents	\$ 125,005,648
Accounts receivable	15,351,131
Lease receivable, current portion	39,077
Inventory	13,595
Prepaid expenses	188,767
Total Current Assets	<u>140,598,218</u>

Non-current Assets:

Restricted cash and cash equivalents	102,027,189
Specific purpose investment	25,230,000
Lease receivable, non-current portion	146,773
Right-to-use assets, net	9,920,401
Capital assets, net	489,366,700
Net OPEB asset	758,501
Total Non-current Assets	<u>627,449,564</u>

TOTAL ASSETS

768,047,782

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	24,322,171
Deferred outflows - OPEB	662,861
Deferred outflows - pensions	25,803,035

TOTAL DEFERRED OUTFLOWS OF RESOURCES

50,788,067

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 818,835,849

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 13,603,260
Unearned revenue	36,220,856
Lease liabilities, current portion	1,262,742
Long-term debt, current portion	11,236,878
Total Current Liabilities	<u>62,323,736</u>

Non-current Liabilities:

Compensated absences	3,218,302
Lease liabilities, non-current portion	9,692,245
Net pension liability	72,968,850
Banked faculty load time	553,740
Long-term debt, non-current portion	478,425,221
Total Non-current Liabilities	<u>564,858,358</u>

TOTAL LIABILITIES

627,182,094

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - OPEB	1,910,479
Deferred inflows - pensions	11,518,304
Deferred inflows - leases	128,329

TOTAL DEFERRED INFLOWS OF RESOURCES

13,557,112

NET POSITION

Net investment in capital assets	140,078,862
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Restricted for:

Debt service	18,037,417
Capital projects	(2,998,720)
Other special purpose	5,085,602

Unrestricted	<u>17,893,482</u>
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TOTAL NET POSITION

178,096,643

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

\$ 818,835,849

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

OPERATING REVENUES

Tuition and fees, gross	\$ 15,102,706
Less: Scholarship discounts and allowances	(10,152,960)
Tuition and fees, net	4,949,746
Grants and contracts, non-capital:	
Federal	15,373,142
State	38,784,456

TOTAL OPERATING REVENUES

59,107,344

OPERATING EXPENSES

Salaries	73,382,082
Employee benefits	27,835,338
Supplies, materials, and other operating expenses and services	48,723,892
Student aid	55,636,525
Depreciation and amortization	14,355,279

TOTAL OPERATING EXPENSES

219,933,116

OPERATING LOSS

(160,825,772)

NON-OPERATING REVENUES/(EXPENSES)

State apportionments, non-capital	94,177,326
Local property taxes	10,449,127
State taxes and other revenues	6,778,960
Pell grants	36,538,880
Investment income, non-capital	9,757,412
Interest expense on capital asset-related debt	(135,966)
Other non-operating revenues	5,372,221

TOTAL NON-OPERATING REVENUES/(EXPENSES)

162,937,960

INCOME/(LOSS) BEFORE OTHER REVENUES/(EXPENSES)

2,112,188

OTHER REVENUES/(EXPENSES)

Local property taxes and revenues, capital	22,210,414
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TOTAL OTHER REVENUES/(EXPENSES)

22,210,414

INCREASE/(DECREASE) IN NET POSITION

24,322,602

NET POSITION - BEGINNING OF YEAR

155,173,589

PRIOR YEAR ADJUSTMENT (SEE NOTE 15)

(1,399,548)

NET POSITION - END OF YEAR

\$ 178,096,643

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees, net	\$ 1,968,884
Grants and contracts	50,506,225
Payments to or on behalf of employees	(105,401,564)
Payments to vendors for supplies and services	(109,428,886)
Net Cash Provided by/(Used in) Operating Activities	<u>(162,355,341)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	94,177,326
Local property taxes	10,449,127
State taxes and other revenues	6,778,960
Pell grants	36,538,880
Other non-operating cash flows	5,379,377
Net Cash Provided by/(Used in) Non-Capital Financing Activities	<u>153,323,670</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Acquisition and construction of capital assets	(34,219,479)
Local property taxes and revenues, capital	22,210,414
Proceeds from long-term debt	41,733,649
Interest paid on long-term debt	1,788,984
Net Cash Provided by/(Used in) Capital Financing Activities	<u>31,513,568</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>9,757,412</u>
Net Cash Provided by/(Used in) Investing Activities	<u>9,757,412</u>

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

32,239,309

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

194,793,528

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 227,032,837

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY/(USED IN) OPERATING ACTIVITIES**

Operating loss	\$ (160,825,772)
Adjustments to Reconcile Operating Loss to Net Cash Provided by/(Used In)	
Operating Activities:	
Depreciation and amortization	14,355,279
Changes in Assets and Liabilities:	
Accounts receivables	2,884,876
Inventory	133,621
Prepaid expenses	53,282
Deferred outflows - OPEB and pensions	(352,853)
Accounts payable and accrued expenses	(8,140,248)
Unearned revenue	(6,632,235)
Compensated absences	(30,282)
Banked faculty load time	(6,211)
Net pension liability/(asset)	(237,686)
Net OPEB liability	(935,907)
Deferred inflows - OPEB and pensions	(2,621,205)
Total Adjustments	<u>(1,529,569)</u>
Net Cash Provided by/(Used In) Operating Activities	<u>\$ (162,355,341)</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	Scholarship and Loan Agency Fund	Payroll & OPEB Irrevocable Trust Funds	Total
ASSETS			
Cash and cash equivalents	\$ 38,529	\$ 28,624	\$ 67,153
Investments	-	10,786,863	10,786,863
Total Assets	38,529	10,815,487	10,854,016
LIABILITIES			
Accounts payable and accrued expenses	1,331	17,320	18,651
Total Liabilities	1,331	17,320	18,651
NET POSITION			
Net position restricted for OPEB	-	10,786,863	10,786,863
Held in trust for others	37,198	11,304	48,502
Total Net Position	\$ 37,198	\$ 10,798,167	\$ 10,835,365

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	Scholarship and Loan Agency Fund	Payroll & OPEB Irrevocable Trust Funds	Total
OPERATING REVENUES			
Contributions	\$ -	\$ 564,519	\$ 564,519
Investment income	32	1,161,035	1,161,067
Other local revenue	668,511	-	668,511
Total Operating Revenues	668,543	1,725,554	2,394,097
OPERATING EXPENSES			
Supplies, materials, and other outgo	668,511	494,742	1,163,253
Total Operating Expenses	668,511	494,742	1,163,253
Changes in Net Position	32	1,230,812	1,230,844
Net Position, Beginning of Year	37,166	9,567,355	9,604,521
Net Position, End of Year	\$ 37,198	\$ 10,798,167	\$ 10,835,365

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Antelope Valley Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under *Internal Revenue Code* Section §115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive entity-wide perspective look at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenditures are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

Fiduciary funds for which the District acts only as an agent are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Cash and cash equivalents that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, is classified as non-current assets in the Statement of Net Position.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments are reported at fair value using quoted market prices and unrealized and realized gains and losses are included in the Statement of Changes in Fiduciary Net Position.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of accounts receivable balance. At June 30, 2025, management determined that no allowance was necessary.

Inventory

Inventory consists of expendable supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory is recorded as expenditure in the governmental when consumed rather than when purchased.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods future accounting periods.

Lease Receivable

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. Any variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflows of resources is recorded for the lease. The deferred inflows of resources are recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on a straight-line basis over the term of the lease.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Right-to-Use Assets and Lease Liabilities

The District recognizes a right-to-use leased assets as a result of implementing GASB Statement No. 87 and right-to-use subscription-based IT assets (SBITA) under GASB Statement No. 96. The right-to-use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right-to-use subscription-based IT assets (leased software) are measured at the amount of the initial measurement of the subscription liability (lease software), plus any payments made to the SBITA vendor at the commencement of the subscription term and any capitalizable initial implementation costs. The right-to-use leased assets and leased software are amortized on a straight-line basis over the life of the related lease or subscription. Subsequently, the right-to-use leased assets and leased software are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The District recognizes a lease liability at the commencement of a lease and initially measures them at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made.

The District estimates its incremental borrowing rate as the discount rate for expected lease payments and the noncancelable period for its leases. Additionally, the District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease liability if certain changes occur that are expected to significantly affect their lease liability.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the District's capitalization policy included all items with a unit cost of \$5,000 or higher and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 - 50 years depending on asset type.

Accounts Payable and Accrued Expenses

In general accounts payable and accrued expenses once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

GASB Statement No. 101 requires that liabilities for compensated absences be recognized for [1] leave that has not been used and [2] leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if [a] the leave is attributable to services already rendered, [b] the leave accumulates, and [c] the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Flow Assumption: When determining the amounts due within one year for sick leave, accumulated sick leave as of June 30, 2025 is assumed to be used before future sick leave accruals (i.e. First In, First Out). The amount due within one year for vacation leave is based on the expected accumulated vacation leave to be cashed out upon the end of employment in the following year.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Banked Faculty Load Time

A regular teaching load is considered by a schedule which yields one Full Time Equivalent (FTE). An overload is defined as a schedule which yields more than one FTE. The excess load is recorded as a liability in the Statement of Net Position.

Unearned Revenue

Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Debt

Long-term debt includes general obligation bonds, accreted interest, bond premium, certificates of participation and related premium. The portion of the long-term debt that is due within a year is reported as current liabilities, while portion of long-term debt that is scheduled to mature or is payable beyond one year is reported as non-current liabilities.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding which is reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. During the year ended June 30, 2025, the District recognized \$822,895 in amortization of the deferred loss on refunding. Additionally, the District has recognized a deferred outflows of resources related to the payments made subsequent to the measurement date for the pensions and OPEB.

In addition to liabilities, the statement of net position reports 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflows of resources for leases, pension related items and for OPEB related items, which is reported in Statement of Net Position.

Pensions

For purposes of measuring the net pension liability, deferred outflows/(inflows) of related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. 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.

On-Behalf Payments

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the STRS and PERS on behalf of all Community Colleges in California. This amount has been reflected in the basic financial statements as a component of other state revenue and employee benefit expense.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Postemployment Benefits Other Than Pensions (OPEB)

For purpose of measuring the net OPEB liability/(asset), information about the fiduciary net position of the Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and interest-earning investment contracts that are reported at cost. The Plan is included in the District's financial report and separately presented as a fiduciary fund. Separate financial statements are also prepared for the Plan and may be obtained by contacting the District.

Net Position

The District's net position are classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2025, there is no balance of non-expendable restricted net position.

Unrestricted net position: Unrestricted net position represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenue and Expenses

The District has classified its revenues as either operating or non-operating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

Non-operating revenues and expenses: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of the Board of Governors fee waivers and allowances in the statement of revenues, expenses, and change in net position. Certain governmental grants, and other federal, state and non-governmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Adoption of New Accounting Standards

The following GASB Pronouncements were adopted by the District during the year ended June 30, 2025:

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. The financial impact of this Statement is reflected in Notes 9 and 15.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. A government should disclose in notes to financial statements the information if the following criteria have been met; (a) a concentration or constraint is known to the government prior to the issuance of the financial statements and makes the reporting unit vulnerable to the risk of a substantial impact, (b) an event or events associated with the concentration or constraint that could cause a 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. Management has determined that the adoption of this statement did not have any material impact on the District's financial statements.

Upcoming GASB Pronouncements

The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

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. This statement is effective for periods beginning after June 15, 2025.

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. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for periods beginning after June 15, 2025.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

District cash and cash equivalents and investments as of June 30, 2025, consisted of the following:

Governmental Funds:

Cash in county treasury	\$ 213,194,063
Cash on hand and in banks	13,828,974
Cash with fiscal agents	9,800
Total Cash and Cash Equivalents - Governmental Funds	<u>\$ 227,032,837</u>

Fiduciary Funds:

Cash in county treasury	\$ 16,796
Cash on hand and in banks	50,357
Investments	10,786,863
Total Cash and Cash Equivalents and Investments - Fiduciary Funds	<u>\$ 10,854,016</u>

Mutual funds held within the OPEB trust fund at June 30, 2025, consisted of the following:

Cash with Fiscal Agents:

Mutual funds - equity	\$ 1,559,994
Mutual funds - fixed income	9,053,490
Mutual funds - real estate	173,379
Total Investments in OPEB Trust Fund	<u>\$ 10,786,863</u>

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasurer's Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Custodial Credit Risk

The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The fair value of pledged securities must equal 110 percent of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. As of June 30, 2025, the District's bank balance was fully collateralized with eligible collateral in accordance with *California Government Code* Section 53651.

Cash with Fiscal Agent

Cash with fiscal agent represents amounts held in the District's name with third party custodians for future repayment of long-term liabilities.

Interest Rate Risk

The District investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2025, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Under provision of the District's policies and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may invest in the following types of investments:

- Local agency bonds, notes or warrants within the state
- Securities of the U.S. Government or its agencies
- Certificates of deposit with commercial banks
- Commercial paper
- Repurchase agreements

Concentration of Credit Risk

The District does not place limits on the amount they may invest in any one issuer. At June 30, 2025, the District had no concentration of credit risk.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value

The following table presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2025:

OPEB Trust Fund Investments	Total	Level 1	Level 2	Level 3
Mutual funds - equity	\$ 1,559,994	\$ 1,559,994	\$ -	\$ -
Mutual funds - fixed income	9,053,490	9,053,490	-	-
Mutual funds - real estate	173,379	173,379	-	-
Total OPEB Trust Fund Investments	<u>\$ 10,786,863</u>	<u>\$ 10,786,863</u>	<u>\$ -</u>	<u>\$ -</u>

Mutual funds were valued at closing prices from securities exchanges and are classified as Level 1 investments.

During the year ended June 30, 2025, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2025.

NOTE 4 – SPECIFIC PURPOSE INVESTMENT

Specific purpose investment for the District consists of one investment. The balance of the District's specific purpose investment is \$25,230,000 at June 30, 2025 with a maturity date of July 27, 2040.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest and other local sources. As of June 30, 2025, accounts receivable amounted to \$15,351,131. The District believes all receivables accrued at June 30, 2025 were collectible.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LEASE RECEIVABLE

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. Any variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Future lease receivable on non-cancellable leases at June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 39,077	\$ 6,571	\$ 45,648
2027	40,669	4,979	45,648
2028	42,326	3,322	45,648
2029	44,051	1,597	45,648
2030	19,727	216	19,943
Total	<u>\$ 185,850</u>	<u>\$ 16,685</u>	<u>\$ 202,535</u>

The District leases space on its campuses to cellular companies. In accordance with GASB Statement No. 87, the District records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective lease. The expected receipts are discounted using the District's incremental borrowing rate. Any variable payments are excluded unless fixed in substance.

During the year ended June 30, 2025, the District recognized revenues related to these lease agreements totaling \$49,178. During the year ended June 30, 2025, the District does not have any lease revenue related to variable receipts that were not previously included in the measurement of the lease receivable.

The general terms of the lease agreements are as follows:

Lease Type	Number of Contracts	Average Rate	Lease Terms	Average Annual Rental Income
Cell Towers	2	4.00%	3/17/2005-3/17/2033	\$ 70,484

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – RIGHT-TO-USE ASSETS

The amount of right-to-use assets by major class of underlying lease assets as of June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Right-to-Use Assets:				
Leased equipment	\$ 341,705	\$ -	\$ -	\$ 341,705
Leased buildings	17,679,185	-	-	17,679,185
Leased software	1,110,304	816,763	-	1,927,067
Total Right-to-Use Assets	19,131,194	816,763	-	19,947,957
Less: Accumulated Amortization				
Leased equipment	222,726	44,681	-	267,407
Leased buildings	7,951,761	1,084,548	-	9,036,309
Leased software	263,292	460,548	-	723,840
Total Accumulated Amortization	8,437,779	1,589,777	-	10,027,556
Right-to-Use Assets, net	\$ 10,693,415	\$ (773,014)	\$ -	\$ 9,920,401

NOTE 8 – CAPITAL ASSETS

Capital asset activity as of June 30, 2025 consists of the following:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land	\$ 11,840,786	\$ -	\$ -	\$ 11,840,786
Construction in progress	64,678,857	32,988,207	57,497,133	40,169,931
Total Capital Assets Not Being Depreciated	76,519,643	32,988,207	57,497,133	52,010,717
Capital Assets Being Depreciated				
Buildings & improvements	460,198,498	54,947,983	-	515,146,481
Machinery & equipment	36,002,604	3,063,112	99,453	38,966,263
Total Capital Assets Being Depreciated	496,201,102	58,011,095	99,453	554,112,744
Total Capital Assets	572,720,745	90,999,302	57,596,586	606,123,461
Less: Accumulated Depreciation				
Buildings & improvements	87,416,329	10,254,158	-	97,670,487
Machinery & equipment	16,574,930	2,683,270	171,926	19,086,274
Total Accumulated Depreciation	103,991,259	12,937,428	171,926	116,756,761
Capital Assets, net	\$ 468,729,486	\$ 78,061,874	\$ 57,424,660	\$ 489,366,700

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM LIABILITIES

Change in Long-Term Liabilities:

A schedule of changes in long-term liabilities for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Adjustments (Note 15)	Adjusted Balance July 1, 2024	Additions	Payments and Deductions	Balance June 30, 2025	Amounts Due Within One Year
General obligation bonds	\$ 422,405,917	\$ -	\$ 422,405,917	\$ 49,996,187	\$ 9,630,000	\$ 462,772,104	\$ 10,535,000
Accreted interest	4,084,473	-	4,084,473	2,747,845	-	6,832,318	-
Bond premium	10,381,248	-	10,381,248	-	805,746	9,575,502	320,646
Certificates of participation	9,920,000	-	9,920,000	-	-	9,920,000	350,000
COP premium	593,407	-	593,407	-	31,232	562,175	31,232
Banked faculty load time	559,951	-	559,951	-	6,211	553,740	-
Lease liabilities	11,498,392	-	11,498,392	816,763	1,360,168	10,954,987	1,262,742
Compensated absences	2,123,715	1,124,869	3,248,584	145,608	175,890	3,218,302	-
Net pension liability	73,206,536	-	73,206,536	-	237,686	72,968,850	-
Total Long-Term Liabilities	\$ 534,773,639	\$ 1,124,869	\$ 535,898,508	\$ 53,706,403	\$ 12,246,933	\$ 577,357,978	\$ 12,499,620

General Obligation Bonds

A schedule of changes in general obligation bonds for the year ended June 30, 2025 is shown below:

	Issuance Date	Yield Rate	Maturity Date	Amount of Original Issue	Balance July 1, 2024	Additions	Redeemed/Refunded Current Year	Balance June 30, 2025	Due Within One Year
2014 Refunding Series A	4/17/2014	0.19-3.25%	2028	\$ 42,845,000	\$ 6,100,000	\$ -	\$ 6,100,000	\$ -	\$ -
2016 Series A	3/30/2017	3.75-5.25%	2047	116,385,000	46,220,000	-	-	46,220,000	-
2016 Series A-1	3/30/2017	1.42-3.48%	2029	33,615,000	15,145,000	-	2,310,000	12,835,000	2,695,000
2020 Series B	2/13/2020	0.74-2.48%	2051	95,000,000	91,350,000	-	-	91,350,000	-
2020 Refunding	2/13/2020	1.49-2.82%	2039	125,685,000	125,295,000	-	-	125,295,000	6,610,000
2021 Refunding	8/31/2021	0.20-2.92%	2042	86,215,000	83,300,000	-	1,220,000	82,080,000	1,230,000
2016 Series C	11/30/2022	4.03-5.53%	2048	54,995,916	54,995,917	-	-	54,995,917	-
2016 Series C Accretion				-	4,084,473	2,747,845	-	6,832,318	-
2016 Series D	2/13/2025	3.07-4.80%	2051	49,996,187	-	49,996,187	-	49,996,187	-
Total				\$ 604,737,103	\$ 426,490,390	\$ 52,744,032	\$ 9,630,000	\$ 469,604,422	\$ 10,535,000

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM LIABILITIES, continued

General Obligation Bonds, continued

In April 2014, the District issued \$42,845,000 and \$16,465,000 of 2014 General Obligation Refunding Bonds Series A and Series B, respectively. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004C and 2006 General Obligation Refunding Bonds, and to pay the costs of issuing the 2014 Refunding Bonds. The 2014 General Obligation Refunding Bonds Series A and Series B matured through August 1, 2027 and August 1, 2022, respectively, with interest rates ranging from 0.19% to 3.32%. At June 30, 2019, \$58,036,459 of bonds outstanding were considered defeased.

The 2014 General Obligation Refunding Bonds Series A and Series B was fully refunded as of June 30, 2025.

In January 2015, the District issued \$77,818,682 of 2015 General Obligation Refunding Bonds. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004B and Series 2004C, and to pay the costs of issuing the 2015 Refunding Bonds. The 2015 Refunding Bonds were issued as \$40,880,000 in current interest bonds with interest rates ranging from 2.0% to 5.0% and \$36,938,682 in Capital Appreciation bonds with interest accreting at rates ranging from 3.9% to 4.1%. The 2015 Refunding Bonds mature through August 1, 2039. The 2015 GO Refunding bond was refinanced during fiscal year 2020-21 and final payment was made.

In March 2017, the District issued \$116,385,000 of 2016 Series A General Obligation Bonds. The 2016 Series A Bonds were issued as \$23,745,000 of Serial Bonds with interest rates from 3.75% to 5.00% and \$92,640,000 of Term Bonds with interest rates from 4.0% to 5.25%.

The 2016 Series A Bonds mature through August 1, 2046. The annual payments required to amortize the 2016 Series A Bonds as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 5,351,750	\$ 5,351,750
2027	-	5,351,750	5,351,750
2028	-	5,351,750	5,351,750
2029	-	5,351,750	5,351,750
2030	-	-	-
2031-2035	1,000,000	2,290,585	3,290,585
2036-2040	-	-	-
2041-2045	20,780,000	1,194,000	21,974,000
2046-2047	24,440,000	997,000	25,437,000
Total	\$ 46,220,000	\$ 25,888,585	\$ 72,108,585

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM LIABILITIES, continued

General Obligation Bonds, continued

In March 2017, the District issued \$33,615,000 of 2016 Series A-1 General Obligation Bonds. The 2016 Series A-1 Bonds were issued as Serial Bonds with interest rates from 1.42% to 3.48%.

The 2016 Series A-1 Bonds mature through August 1, 2028. The annual payments required to amortize the 2016 Series A-1 Bonds as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 2,695,000	\$ 386,787	\$ 3,081,787
2027	2,995,000	294,695	3,289,695
2028	3,345,000	188,661	3,533,661
2029	3,800,000	66,082	3,866,082
Total	<u>\$ 12,835,000</u>	<u>\$ 936,225</u>	<u>\$ 13,771,225</u>

In March 2020, the District issued \$95,000,000 of 2020 Series B General Obligation Bond. The 2020 Series B Bonds were issued as \$95,000,000 of Serial Bond with interest rates from 3% to 4%.

The 2020 Series B Bonds mature through August 1, 2050. The annual payments required to amortize the 2020 Series B Bonds as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 3,054,000	\$ 3,054,000
2027	-	3,054,000	3,054,000
2028	-	3,054,000	3,054,000
2029	-	3,054,000	3,054,000
2030	800,000	3,054,000	3,854,000
2031-2035	5,550,000	14,698,000	20,248,000
2036-2040	7,185,000	13,456,000	20,641,000
2041-2045	13,910,000	11,587,400	25,497,400
2046-2050	48,905,000	7,626,200	56,531,200
2051	15,000,000	450,000	15,450,000
Total	<u>\$ 91,350,000</u>	<u>\$ 63,087,600</u>	<u>\$ 154,437,600</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM LIABILITIES, continued

General Obligation Bonds, continued

In February 2020, the District issued \$125,685,000 of 2020 General Obligation Refunding Bonds. The 2020 General Obligation Refunding were issued as Refunding Bonds with interest rates from 1.49% to 2.82%.

The 2020 Refunding Bonds mature through August 1, 2038. The annual payments required to the 2020 Refunding Bonds as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 6,610,000	\$ 3,034,078	\$ 9,644,078
2027	7,000,000	2,917,279	9,917,279
2028	7,425,000	2,783,159	10,208,159
2029	7,030,000	2,633,471	9,663,471
2030	7,395,000	2,484,575	9,879,575
2031-2035	44,155,000	9,682,810	53,837,810
2036-2039	45,680,000	3,256,926	48,936,926
Total	\$ 125,295,000	\$ 26,792,298	\$ 152,087,298

In August 2021, the District issued \$86,215,000 of 2021 General Obligation Refunding Bonds. The 2021 General Obligation Refunding Bonds are being issued to advance refund a portion of the District's outstanding Election of 2016 General Obligation Bonds, Series A and pay the costs of issuing the Bonds. The 2021 Refunding Bonds were issued as current interest bonds with interest rates ranging from 0.20% to 2.92%. The 2021 Refunding Bonds mature through August 1, 2041.

The annual requirements to amortize the 2021 Refunding bonds payable outstanding at June 30, 2025 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,230,000	\$ 1,951,631	\$ 3,181,631
2027	1,515,000	1,940,979	3,455,979
2028	1,530,000	1,925,587	3,455,587
2029	1,545,000	1,905,834	3,450,834
2030	3,465,000	1,882,798	5,347,798
2031-2035	22,945,000	8,398,335	31,343,335
2036-2040	33,245,000	5,152,744	38,397,744
2041-2042	16,605,000	727,871	17,332,871
Total	\$ 82,080,000	\$ 23,885,779	\$ 105,965,779

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM LIABILITIES, continued

General Obligation Bonds, continued

In November 2022, the District issued \$54,995,916 of 2016 Series C General Obligation Bonds. The 2016 Series C issued with interest rates ranging from 4.03% to 5.53%. The 2016 Series C Bonds mature through August 1, 2047.

The annual requirements to amortize the 2016 Series C bonds payable outstanding at June 30, 2025 are summarized below:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2026	\$ -	\$ 315,000	\$ -	\$ 315,000
2027	-	315,000	-	315,000
2028	211,653	315,000	43,347	570,000
2029	385,308	315,000	99,692	800,000
2030	1,750,348	315,000	554,652	2,620,000
2031-2035	9,597,370	1,575,000	5,302,630	16,475,000
2036-2039	13,086,528	1,575,000	14,648,472	29,310,000
2040-2044	20,787,978	787,500	27,377,022	48,952,500
2045-2048	9,176,732	-	24,218,269	33,395,001
Accretion	6,832,318	-	(6,832,318)	-
Total	\$ 61,828,235	\$ 5,512,500	\$ 65,411,766	\$ 132,752,501

In February 2025, the District issued \$49,996,187 of 2016 Series D General Obligation Bonds. The 2016 Series D issued with interest rates ranging from 3.07 to 4.80%. The 2016 Series D Bonds mature through August 1, 2050.

The annual requirements to amortize the 2016 Series D bonds payable outstanding at June 30, 2025 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ -	\$ -
2027	138,662	6,338	145,000
2028	-	-	-
2029	49,050	5,950	55,000
2030	141,870	23,130	165,000
2031-2035	2,049,844	690,156	2,740,000
2036-2040	4,032,325	2,742,675	6,775,000
2041-2045	5,589,516	6,705,484	12,295,000
2046-2050	30,246,229	57,093,771	87,340,000
2051	7,748,691	17,576,309	25,325,000
Total	\$ 49,996,187	\$ 84,843,813	\$ 134,840,000

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM LIABILITIES, continued

Certificates of Participation

In November 2022, the District issued \$9,920,000 of Series 2022 Certificates of Participation. The series 2022 issued with interest rates ranging from 5.00% to 5.50%. The series 2022 mature through August 1, 2042.

The annual requirements to amortize the series 2022 certificates of participation payable outstanding at June 30, 2025 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 350,000	\$ 508,875	\$ 858,875
2027	370,000	490,875	860,875
2028	385,000	472,000	857,000
2029	405,000	452,250	857,250
2030	425,000	431,500	856,500
2031-2035	2,475,000	1,807,500	4,282,500
2036-2040	3,165,000	1,090,325	4,255,325
2041-2043	2,345,000	198,138	2,543,138
Total	\$ 9,920,000	\$ 5,451,463	\$ 15,371,463

Banked Faculty Load Time

At June 30, 2025, the liability for bank faculty load time amounted to \$553,740.

Compensated Absences

The liability for compensated absences consists of unused vacation and sick leave that is expected to be used in future periods or paid upon termination, in accordance with employee collective bargaining agreements and District policy.

At June 30, 2025, the liability recorded for compensated absences was \$3,218,302.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM LIABILITIES, continued

Leases

The District has entered into agreements to lease certain equipment, buildings, and software. The lease agreements qualify as other than short-term leases under GASB 87 and GASB 96, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The general terms are as follows:

Lease Type	Number of Contracts	Average Rate	Lease Terms	Average Annual Lease Payment
Equipment	8	4.00%	7/1/2018 - 5/12/2027	\$ 9,174
Buildings	4	4.00%	2/8/2016 - 11/14/2048	\$ 271,137
Software	3	2.36%	3/1/2023 - 6/30/2030	\$ 205,837

Future minimum lease payments on non-cancellable leases at June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,262,742	\$ 391,377	\$ 1,654,119
2027	696,930	362,649	1,059,579
2028	655,025	340,795	995,820
2029	426,659	324,027	750,686
2030	312,534	309,314	621,848
2031-2035	1,488,264	1,369,296	2,857,560
2036-2040	1,817,165	1,040,395	2,857,560
2041-2045	2,218,753	638,807	2,857,560
2046-2050	2,076,915	164,623	2,241,538
Total	<u>\$ 10,954,987</u>	<u>\$ 4,941,283</u>	<u>\$ 15,896,270</u>

NOTE 10 – PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessor of the County of Los Angeles and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 30,331,276	\$ 12,189,580	\$ 7,543,555	\$ 2,209,306
CalPERS	42,637,574	13,613,455	3,974,749	6,605,386
Total	<u>\$ 72,968,850</u>	<u>\$ 25,803,035</u>	<u>\$ 11,518,304</u>	<u>\$ 8,814,692</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Benefits Provided

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

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

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

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

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS), continued

Contributions

The parameters for employer and state contribution rates for the DB Program are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the District's total contributions were \$6,262,308.

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

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

District's proportionate share of the net pension liability	\$ 30,331,276
State's proportionate share of the net pension liability associated with the District	13,916,308
Total	<u>\$ 44,247,584</u>

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.045 percent and 0.041 percent, resulting in a increase of 0.004 percent in the proportionate share.

For the year ended June 30, 2025, the District recognized pension expense of \$2,209,306. In addition, the District recognized pension expense and revenue of \$3,362,381 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
Difference between projected and actual earnings on plan investments	\$ -	\$ 123,920
Differences between expected and actual experience	3,431,244	1,327,208
Changes in assumptions	132,772	2,071,326
Net changes in proportionate share of net pension liability	2,363,256	4,021,101
District contributions subsequent to the measurement date	6,262,308	-
Total	<u>\$ 12,189,580</u>	<u>\$ 7,543,555</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. 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 Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (3,587,653)
2027	1,014,429
2028	357,520
2029	446,455
2030	301,738
Thereafter	(148,772)
Total	<u>\$ (1,616,283)</u>

Actuarial Assumptions

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

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

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Actuarial Assumptions, continued

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of our 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

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

*20- to 30- year geometric average.

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

Discount Rate

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

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 53,949,416	\$ 30,331,276	\$ 10,609,150

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	27.05%	27.05%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$6,648,539.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$42,637,574. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.119 percent and 0.116 percent, resulting in a net increase in the proportionate share of 0.003 percent.

For the year ended June 30, 2025, the District recognized pension expense of \$6,605,386. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 1,656,224	\$ -
Differences between expected and actual experience	3,574,538	305,156
Changes in assumptions	942,434	-
Net changes in proportionate share of net pension liability	791,720	3,669,593
District contributions subsequent to the measurement date	6,648,539	-
Total	<u>\$ 13,613,455</u>	<u>\$ 3,974,749</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. 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 Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 819,113
2027	2,659,533
2028	(162,355)
2029	(326,124)
Total	<u>\$ 2,990,167</u>

Actuarial Assumptions

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

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

Actuarial Assumptions, continued

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
Global Equity - cap-weighted	30%	4.45%
Global Equity - non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100%	

**An expected inflation of 2.30% used for this period.*

***Figures are based on the 2021-22 Asset Liability Management study.*

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

Discount Rate, continued

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 63,338,473	\$ 42,637,574	\$ 25,536,985

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,899,518. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate annual comprehensive financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS.

Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS CAFR at <https://www.calpers.ca.gov> and CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annualfinancial-report>.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

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

OPEB Plan	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Benefit)
District Plan	\$ (758,501)	\$ 662,861	\$ 1,910,479	\$ (438,609)

In addition to the pension benefits described in Note 11, the District provides post-retirement health care benefits to employees and dependents that have reached the age of 55 and served the District at least 10 years. The District pays medical, dental vision and life insurance premiums up to the current maximum District contribution for active employees until the age of 65 or death of the retiree.

The District's annual other postemployment benefit (OPEB) expense/(benefit) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Plan Description

The single-employer OPEB plan is currently operated as a pay-as-you-go-plan. The District makes discretionary, periodic contributions to the plan through an irrevocable trust. The OPEB trust is included in the District's financial report and separately presented as a fiduciary fund. Separate audited financial statements are prepared for the Plan and may be obtained by contacting the District.

Funding Policy

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

	Faculty	Classified	Management
	Medical, dental, vision and life	Medical, dental, vision and life	Medical, dental, vision and life
Benefit types provided			
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years*	10 years*	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	Active cap	Active cap	Active cap
<i>*8 years with District, last five in regular employment</i>			

Employees Covered by Benefit Term

The following is a table of plan participants as of the June 30, 2025 measurement date:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	34
Participating Active Employees	431
Total	465

Contributions

Eligible employees are not permitted to make contributions to the Trust. The Plan administrator (CalPERS) shall, on behalf of the employer (District), make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates but contributes in an amount sufficient to fully fund the total OPEB obligation over a period not to exceed 30 years.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Actuarial Assumptions

The District's net OPEB liability/(asset) of (\$758,501) was measured as of June 30, 2025. The net OPEB liability/(asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2024
Measurement date	June 30, 2025
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.50%
Investment rate of return	5.20%
Salary Increase	2.75%
Healthcare cost trend rate	4.00%
Mortality	For certificated employees the 2020 CalSTRS mortality tables were used. For classified employees the 2021 CalPERS active mortality for miscellaneous employees were used.

Changes in the Net OPEB Liability/(Asset)

	Increase/(Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance July 1, 2024	\$ 9,733,456	\$ 9,556,050	\$ 177,406
Changes for the year:			
Service cost	616,856	-	616,856
Interest	466,555	-	466,555
Employer contributions	-	1,074,084	(1,074,084)
Assumption changes	(349,146)	-	(349,146)
Expected investment income	-	465,269	(465,269)
Investment (gains)/losses	-	287,363	(287,363)
Administrative expense	-	(86,338)	86,338
Benefit payments	(509,565)	(509,565)	-
Expected minus actual benefit payments	70,206	-	70,206
Net change	294,906	1,230,813	(935,907)
Balance June 30, 2025	\$ 10,028,362	\$ 10,786,863	\$ (758,501)

Fiduciary Net Position as a percentage of the Total OPEB Liability as June 30, 2025 measurement date was 108 percent.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Sensitivity of the Net OPEB Liability/(Asset) to Assumptions

The following presents the net OPEB liability/(asset) calculated using the discount rate of 5.20 percent. The schedule also shows what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1 percent lower (4.20 percent) and 1 percent higher (6.20 percent):

	Discount Rate 1% Lower (4.20%)	Current Discount Rate (5.20%)	Discount Rate 1% Higher (6.20%)
Net OPEB liability/(asset)	\$ (1,990)	\$ (758,501)	\$ (1,409,097)

The following table presents the net OPEB liability/(asset) calculated using the healthcare cost trend rate of 4.00 percent. The schedule also shows what the net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is 1 percent lower (3.00 percent) and 1 percent higher (5.00 percent):

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability/(asset)	\$ (1,858,308)	\$ (758,501)	\$ 494,476

OPEB Expense/(Benefit) and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense/(benefit) of (\$438,609). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 31,477	\$ -
Differences between expected and actual experience	-	1,100,460
Change in assumptions	631,384	810,019
Total	\$ 662,861	\$ 1,910,479

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

OPEB Expense/(Benefit) and Deferred Outflows/Inflows of Resources Related to OPEB, continued

The deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/(asset) in the subsequent fiscal year. The deferred inflows of resources resulting from a change in assumption will be amortized to OPEB expense/(benefit) as follows:

Year Ending June 30,	Outflows/(Inflows) of Resources
2026	\$ 57,136
2027	(227,718)
2028	(252,393)
2029	(231,242)
2030	(171,159)
Thereafter	(422,242)
Total	<u>\$ (1,247,618)</u>

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

There are various claims and legal actions pending against the District for which no provision has been made in the general-purpose financial statements. In the opinion of the District, any liabilities arising from these claims and legal actions are not considered significant.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

Construction Commitments

As of June 30, 2025, the District has approximately \$59,742 in outstanding commitments on construction contracts.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 – JOINT POWERS AGREEMENTS

Antelope Valley Community College District participates in Joint Power Agreements (JPAs), with Protected Insurance Program for Schools Joint Power Authority (PIPS), and the Statewide Association of Community Colleges (SWACC). Settled claims have not exceeded commercial insurance coverage in any of the past three years. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. PIPS provides workers' compensation insurance for its members. SWACC provides property and liability insurance for its members. Antelope Valley Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

Condensed financial information of the JPAs for the most current year for which audited information is available, is available by contacting each of the respective entities directly.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Net position was restated as follows:

Beginning Net Position - previously reported at June 30, 2024	\$ 155,173,589
Prior Period Adjustment:	
Correction to deferred revenue	(274,679)
Change in accounting principle (GASB 101)	(1,124,869)
Beginning Net Position - as restated at June 30, 2024	<u>\$ 153,774,041</u>

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 29, 2025, the date on which the financial statements were available to be issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	Fiscal Year (Measurement Date)				
	June 30, 2025 (June 30, 2025)	June 30, 2024 (June 30, 2024)	June 30, 2023* (June 30, 2023)	June 30, 2023* (June 30, 2022)	June 30, 2022 (June 30, 2021)
Total OPEB liability					
Service cost	\$ 616,856	\$ 591,749	\$ 600,544	\$ 584,471	\$ 517,314
Interest	466,555	465,829	449,069	424,743	496,121
Assumption changes	(349,146)	(555,807)	(65,385)	-	(222,574)
Experience gains/(losses)	-	(502,671)	(152,384)	-	1,014,453
Benefit payments	(509,565)	-	(502,596)	(507,668)	(551,448)
Expected minus actual benefit payments	70,206	-	-	-	-
Net change in total OPEB liability	294,906	(900)	329,248	501,546	1,253,866
Total OPEB liability, beginning of year	9,733,456	9,734,356	9,405,108	8,903,562	7,649,696
Total OPEB liability, end of year (a)	\$ 10,028,362	\$ 9,733,456	\$ 9,734,356	\$ 9,405,108	\$ 8,903,562
Plan fiduciary net position					
Employer contributions	\$ 1,074,084	\$ 889,784	\$ 915,222	\$ 5,940,799	\$ 982,770
Expected investment income	465,269	420,862	393,330	311,012	186,153
Investment gains/(losses)	287,363	121,399	(123,396)	(1,424,254)	630,726
Administrative expense	(86,338)	(80,045)	(74,803)	(52,956)	(33,580)
Expected benefit payments	(509,565)	(502,671)	(528,109)	(507,668)	(595,657)
Change in plan fiduciary net position	1,230,813	849,329	582,244	4,266,933	1,170,412
Fiduciary trust net position, beginning of year	9,556,050	8,706,721	8,124,477	3,857,544	2,687,132
Fiduciary trust net position, end of year (b)	\$ 10,786,863	\$ 9,556,050	\$ 8,706,721	\$ 8,124,477	\$ 3,857,544
Net OPEB liability/(asset), ending (a) - (b)	\$ (758,501)	\$ 177,406	\$ 1,027,635	\$ 1,280,631	\$ 5,046,018
Covered payroll	\$ 57,957,580	\$ 55,272,132	\$ 50,560,266	\$ 50,560,266	\$ 45,516,169
Plan fiduciary net position as a percentage of the total OPEB liability	108%	98%	89%	86%	43%
Net OPEB liability/(asset) as a percentage of covered payroll	-1%	0%	2%	3%	11%

Note: In the future, as data becomes available, ten years of information will be presented.

**For fiscal year 2022-23, the District had two valuations completed to align the measurement date to match the District's GASB 74 OPEB Trust report. This change aligns the measurement date with the District's fiscal year end.*

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	Fiscal Year (Measurement Date)			
	June 30, 2021 (June 30, 2020)	June 30, 2020 (June 30, 2019)	June 30, 2019 (June 30, 2018)	June 30, 2018 (June 30, 2017)
Total OPEB liability				
Service cost	\$ 718,967	\$ 734,818	\$ 633,392	\$ 599,942
Interest	564,394	499,172	485,046	448,398
Assumption changes	(1,103,802)	-	(95,983)	-
Experience gains/(losses)	(591,719)	(212,029)	186,897	-
Benefit payments	(523,296)	(531,957)	(519,493)	(499,512)
Net change in total OPEB liability	(935,456)	490,004	689,859	548,828
Total OPEB liability, beginning of year	8,585,152	8,095,148	7,405,289	6,856,461
Total OPEB liability, end of year (a)	\$ 7,649,696	\$ 8,585,152	\$ 8,095,148	\$ 7,405,289
Plan fiduciary net position				
Employer contributions	\$ 910,409	\$ 919,070	\$ 906,606	\$ 886,626
Expected investment income	156,282	125,302	94,293	-
Investment gains/(losses)	(67,043)	(25,090)	14,916	125,965
Administrative expense	-	(21,429)	(17,100)	(11,322)
Expected benefit payments	(523,296)	(531,957)	(519,493)	(499,512)
Change in plan fiduciary net position	476,352	465,896	479,222	501,757
Fiduciary trust net position, beginning of year	2,210,780	1,744,884	1,265,662	763,905
Fiduciary trust net position, end of year (b)	\$ 2,687,132	\$ 2,210,780	\$ 1,744,884	\$ 1,265,662
Net OPEB liability/(asset), ending (a) - (b)	\$ 4,962,564	\$ 6,374,372	\$ 6,350,264	\$ 6,139,627
Covered payroll	\$ 45,508,781	\$ 38,990,890	\$ 30,618,236	\$ 28,900,000
Plan fiduciary net position as a percentage of the total OPEB liability	35%	26%	22%	17%
Net OPEB liability/(asset) as a percentage of covered payroll	11%	16%	21%	21%

Note: In the future, as data becomes available, ten years of information will be presented.

**For fiscal year 2022-23, the District had two valuations completed to align the measurement date to match the District's GASB 74 OPEB Trust report. This c aligns the measurement date with the District's fiscal year end.*

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year				
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Actuarially determined contribution	\$ 439,359	\$ 571,917	\$ 502,596	\$ 507,668	\$ 551,448
District's contributions in relations to the actuarially determined contribution	1,074,084	889,784	915,222	5,940,799	982,770
Contribution deficiency/(excess)	\$ (634,725)	\$ (317,867)	\$ (412,626)	\$ (5,433,131)	\$ (431,322)
Covered-employee payroll	\$ 57,957,580	\$ 55,272,132	\$ 50,560,266	\$ 45,516,169	\$ 45,508,781
Contribution as a percentage of covered-employee payroll	1.85%	1.61%	1.81%	13.05%	2.16%

	Reporting Fiscal Year			
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Actuarially determined contribution	\$ 523,296	\$ 531,957	\$ 519,493	\$ 519,493
District's contributions in relations to the actuarially determined contribution	910,409	919,070	906,606	886,626
Contribution deficiency/(excess)	\$ (387,113)	\$ (387,113)	\$ (387,113)	\$ (367,133)
Covered-employee payroll	\$ 45,508,781	\$ 38,990,890	\$ 30,618,236	\$ 28,900,000
Contribution as a percentage of covered-employee payroll	2.00%	2.36%	2.96%	3.07%

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
CalSTRS					
District's proportion of the net pension liability	0.045%	0.041%	0.042%	0.054%	0.044%
District's proportionate share of the net pension liability	\$ 30,331,276	\$ 31,236,223	\$ 28,933,088	\$ 24,496,464	\$ 42,570,343
State's proportionate share of the net pension liability associated with the District	13,916,308	14,966,423	14,489,775	12,325,927	21,944,840
Total	<u>\$ 44,247,584</u>	<u>\$ 46,202,646</u>	<u>\$ 43,422,863</u>	<u>\$ 36,822,391</u>	<u>\$ 64,515,183</u>
District's covered-employee payroll	\$ 32,786,953	\$ 29,180,942	\$ 30,310,892	\$ 25,785,402	\$ 24,577,319
District's proportionate share of the net pension liability as percentage of covered-employee payroll	93%	107%	95%	95%	173%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
CalPERS					
District's proportion of the net pension liability	0.119%	0.116%	0.130%	0.142%	0.137%
District's proportionate share of the net pension liability	\$ 42,637,574	\$ 41,970,313	\$ 44,666,132	\$ 28,865,894	\$ 42,076,718
District's covered-employee payroll	\$ 24,578,702	\$ 23,475,337	\$ 22,511,183	\$ 19,921,336	\$ 20,347,647
District's proportionate share of the net pension liability as percentage of covered-employee payroll	182%	179%	224%	145%	207%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
CalSTRS					
District's proportion of the net pension liability	0.049%	0.048%	0.046%	0.048%	0.051%
District's proportionate share of the net pension liability	\$ 43,890,350	\$ 43,901,240	\$ 42,212,558	\$ 38,781,724	\$ 34,436,000
State's proportionate share of the net pension liability associated with the District	23,945,309	25,136,722	24,972,796	22,080,994	18,213,000
Total	\$ 67,835,659	\$ 69,037,962	\$ 67,185,354	\$ 60,862,718	\$ 52,649,000
District's covered-employee payroll	\$ 27,277,550	\$ 27,809,855	\$ 27,360,527	\$ 27,033,792	\$ 24,745,000
District's proportionate share of the net pension liability as percentage of covered-employee payroll	158%	158%	154%	143%	145%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
CalPERS					
District's proportion of the net pension liability	0.133%	0.134%	0.128%	0.127%	0.127%
District's proportionate share of the net pension liability	\$ 38,849,338	\$ 35,701,482	\$ 30,513,962	\$ 25,179,106	\$ 18,775,000
District's covered-employee payroll	\$ 19,888,251	\$ 18,120,443	\$ 19,243,916	\$ 16,126,854	\$ 15,469,000
District's proportionate share of the net pension liability as percentage of covered-employee payroll	214%	197%	159%	156%	133%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSIONS
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
CalSTRS					
Statutorily required contribution	\$ 6,262,308	\$ 5,573,560	\$ 5,128,603	\$ 4,362,890	\$ 3,969,237
District's contributions in relation to the statutorily required contribution	6,262,308	5,573,560	5,128,603	4,362,890	3,969,237
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 32,786,953	\$ 29,180,942	\$ 30,310,892	\$ 25,785,402	\$ 24,577,319
District's contributions as a percentage of covered-employee payroll	19.10%	19.10%	16.92%	16.92%	16.15%
	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
CalPERS					
Statutorily required contribution	\$ 6,648,539	\$ 6,263,220	\$ 5,157,312	\$ 4,563,978	\$ 4,211,963
District's contributions in relation to the statutorily required contribution	6,648,539	6,263,220	5,157,312	4,563,978	4,211,963
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 24,578,702	\$ 23,475,337	\$ 22,511,183	\$ 19,921,336	\$ 20,347,647
District's contributions as a percentage of covered-employee payroll	27.05%	26.68%	22.91%	22.91%	20.70%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSIONS
FOR THE YEAR ENDED JUNE 30, 2025

CalSTRS	Reporting Fiscal Year				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 4,664,461	\$ 4,527,444	\$ 3,948,124	\$ 3,400,851	\$ 2,655,133
District's contributions in relation to the statutorily required contribution	4,664,461	4,527,444	3,948,124	3,400,851	2,655,133
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 27,277,550	\$ 27,809,855	\$ 27,360,527	\$ 27,033,792	\$ 24,745,000
District's contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%
CalPERS	Reporting Fiscal Year				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 3,922,162	\$ 3,272,914	\$ 2,672,980	\$ 2,240,020	\$ 1,832,600
District's contributions in relation to the statutorily required contribution	3,922,162	3,272,914	2,672,980	2,240,020	1,832,600
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,888,251	\$ 18,120,443	\$ 19,243,916	\$ 16,126,854	\$ 15,469,000
District's contributions as a percentage of covered-employee payroll	19.72%	18.06%	13.89%	13.89%	11.85%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios

The Schedule of Changes in Net OPEB liability/(asset) is presented to illustrate the elements of the District's Net OPEB liability/(asset). There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms

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

Changes of Assumptions

The investment rate changed from 4.75% to 5.20% since the previous valuation.

Schedule of Contributions – OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability.

Changes of Benefit Terms

The required employer contributions rate changed from 26.68% to 27.05% since the previous valuation for CalPERS. There were no changes in benefit terms since the previous valuation for CalSTRS.

Changes of Assumptions

Additional factors were considered in the actuarial valuation for CalSTRS namely the payroll growth rate and long-term expected rate of return based on 20 to 30 years geometric average. There were no changes in economic assumptions since previous valuation for CalPERS.

Schedule of Contributions - Pensions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions.

SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2025

Antelope Valley Community College District was established in 1929 and is comprised of one college located in Lancaster and one center in Palmdale. There were no changes in the boundaries of the District during the current year.

The Governing Board and District Administration were composed of the members below, as of June 30, 2025:

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Michael Adams	President	2026
Steve Buffalo	Vice President	2026
Barbara Gaines	Clerk	2026
Michelle Harvey	Trustee	2028
Michael Rives	Trustee	2028
Kristy Salazar Lara	Student Trustee	2026

DISTRICT ADMINISTRATION

Dr. Jennifer Zellet
Superintendent/President
 Dr. Kathy Bahkit
Vice President, Academic Affairs
 Dr. Lauren Elan Helsper
Vice President, Human Resources
 Shaminder Brar
Vice President, Administrative Services
 Dr. Idania Padron
Vice President, Student Services

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Auxiliary Name	Director's Name/Title	Establishment and Master Agreement Date
Antelope Valley College Foundation	Dianne M. Knippel, Executive Director	Recognized as an auxiliary organization in 2019. The August 13, 2018 master agreement was revised April, 14, 2021.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through/ Grant Number	Assistance Listing Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs</i>			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grants (FSEOG)	*	84.007	\$ 571,060
Federal Work Study Program (FWS)	*	84.033	640,080
Federal Direct Student Loans	*	84.268	5,290,657
Federal Pell Grant Program (PELL)	*	84.063	36,440,163
Total Student Financial Assistance Cluster			<u>42,941,960</u>
Higher Education Institutional Aid, Title V Program			
Higher Education Institutional Aid, Title V, 2nd Year Experience	*	84.031S	179,469
Higher Education Institutional Aid, Title V, Data Science	*	84.031S	834,049
Teacher Preparation Program	*	84.031S	489,085
Total Higher Education Institutional Aid, Title V Program			<u>1,502,603</u>
TRIO Cluster			
TRIO - Student Support Services	*	84.042A	332,235
Total TRIO Cluster			<u>332,235</u>
American Rescue Plan Act	*	84.425	<u>2,867</u>
<i>Passed Through California Community College Chancellor's Office</i>			
Career and Technical Education Program			
Career and Technical Education - Basic Grants	*	84.048A	770,262
Total Career and Technical Education Program			<u>770,262</u>
Total U.S. Department of Education			<u>45,549,927</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through California Community College Chancellor's Office</i>			
Temporary Assistance for Needy Families	*	93.558	131,190
<i>Passed Through California Department of Education</i>			
Foster Parent Training Program, Title IV-E	*	93.658	46,570
Total U.S. Department of Health and Human Services			<u>177,760</u>
NATIONAL SCIENCE FOUNDATION			
<i>Direct Program</i>			
Bridge Ecology and Evolution	*	47.074	26,635
Total National Science Foundation			<u>26,635</u>
POP THE CAP			
<i>Passed Through CSU Bakersfield</i>			
Pathways of Possibilities for Transforming Higher Education			
Curriculum Alignment Program (POP THE CAP)	*	10.055	13,490
Total POP THE CAP			<u>13,490</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 45,767,812</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

	Program Revenues				Program Expenditures
	Accounts		Unearned	Total Revenue	
	Cash Received	Receivable	Revenue		
2% BOG Fee Waiver	\$ 151,667	\$ -	\$ -	\$ 151,667	\$ 151,667
A2MEND	43,886	8,000	50,939	947	947
Basic Needs Centers	1,343,854	-	1,205,292	138,562	138,562
Basic Skills	1,272,094	-	714,595	557,499	557,499
BFAP	888,181	-	51,639	836,542	836,542
CA Prison Incarcerated Students	5,848	931	-	6,779	6,779
Cal Grants	5,397,736	18,096	-	5,415,832	5,415,832
Cal KIDS	226,948	-	-	226,948	226,948
Cal OES State - Supplied PPE	147,216	-	147,216	-	-
CalFresh Outreach	6,515	-	3,530	2,985	2,985
California College Promise	1,607,809	-	987,679	620,130	620,130
CalWORKS	1,221,288	-	399,270	822,018	822,018
CARE	791,308	-	186,202	605,106	605,106
Chafee	357,500	-	-	357,500	357,500
Classified Professional Development	50,763	-	50,763	-	-
College & Career Access Pathways	1,006	-	1,006	-	-
Commercial Sexual Exploitation	1,194	-	1,194	-	-
Common Course Numbering	913,043	-	820,128	92,915	92,915
COVID-19 Recovery Block Grant	2,581,690	-	1,317,047	1,264,643	1,264,643
Culturally Competent Faculty PD	50,434	-	50,434	-	-
Deaf and Hard of Hearing	58,474	-	-	58,474	58,474
DSPS	2,076,225	-	685,184	1,391,041	1,391,041
DSS/CalWorks	181,112	4,875	-	185,987	185,987
Economic & Workforce Development	231,023	139,928	203,711	167,240	167,240
EEO Best Practices	195,392	-	190,771	4,621	4,621
Emergency Financial Assistance Supplemental	167,561	-	167,561	-	-
EOPS	2,671,305	-	690,957	1,980,348	1,980,348
Equal Employment Opportunity	351,280	-	189,946	161,334	161,334
Equitable Placement & Completion	748,987	-	728,466	20,521	20,521
Ethnic Studies	6,576	-	520	6,056	6,056
Financial Aid Technology	104,394	-	45,320	59,074	59,074
Foster Parenting	95,471	-	-	95,471	95,471
Guided Pathways	585,990	-	395,106	190,884	190,884
Innovation & Effectiveness Grant	200,000	-	87,372	112,628	112,628
Instructional Block Grant	60,655	-	60,655	-	-
LGBTQ+	261,429	-	244,741	16,688	16,688
Balance Forward	\$ 25,055,854	\$ 171,830	\$ 9,677,244	\$ 15,550,440	\$ 15,550,440

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

	Program Revenues				Program Expenditures
	Accounts		Unearned	Total Revenue	
	Cash Received	Receivable	Revenue		
Balance Brought Forward	\$ 25,055,854	\$ 171,830	\$ 9,677,244	\$ 15,550,440	\$ 15,550,440
Library Services Platform	11,743	-	11,743	-	-
Local and Systemwide Technology and Data Security	600,000	-	587,141	12,859	12,859
Math, Engineering, & Science Achievement	1,225,582	-	840,625	384,957	384,957
Mental Health Support	975,079	-	655,748	319,331	319,331
NextUp	4,723,508	-	4,277,025	446,483	446,483
Nursing Growth	318,368	-	257,493	60,875	60,875
Print & Electronic Info	10,923	-	-	10,923	10,923
Prop 20 Lottery	2,767,499	391,989	2,057,043	1,102,445	1,102,445
Puente Program	306,075	-	265,115	40,960	40,960
Quality Improvement Grant STEP	11,617	-	-	11,617	11,617
Rapid Rehousing Fund	3,684,544	-	3,563,240	121,304	121,304
Retention and Enrollment Outreach	1,701,040	-	1,074,224	626,816	626,816
Rising Scholars Network	377,729	12,400	-	390,129	390,129
Song-Brown Nursing Grant HCAI	433,604	78,750	352,123	160,231	160,231
SSSP Credit	3,661,757	-	-	3,661,757	3,661,757
State Preschool Program CDC	820,294	137,101	181,353	776,042	737,091
Strong Workforce Program	1,530,974	596,060	969,376	1,157,658	1,157,658
Strong Workforce Program 60%	3,249,538	-	1,563,446	1,686,092	1,686,092
Student Equity	3,250,591	-	1,332,211	1,918,380	1,918,380
Student Food and Housing Support	591,255	-	79,294	511,961	511,961
Student Housing Planning Grant	64,649	-	64,649	-	-
Student Success Completion Grant	7,714,986	-	140,114	7,574,872	7,574,872
Student Transfer Achievement Reform	565,217	-	485,045	80,172	80,172
SWP Job Developer	193,010	75,000	222,413	45,597	45,597
Systemwide Tech. & Data Security	650,000	-	401,595	248,405	248,405
Umoja	178,951	81,152	215,736	44,367	44,367
Undocumented Resources Liaisons	133,037	-	82,580	50,457	50,457
Veterans Resource Center Ongoing	409,049	-	182,404	226,645	226,645
Zero Textbook Cost Program (includes one-time funding)	520,000	-	480,271	39,729	39,729
Total State District Funding	\$ 65,736,473	\$ 1,544,282	\$ 30,019,251	\$ 37,261,504	\$ 37,222,553

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2025**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2024 only)			
1. Noncredit	10.64	-	10.64
2. Credit	1,412.16	-	1,412.16
B. Summer Intersession (Summer 2025 - Prior to July 1, 2025)			
1. Noncredit	0.36	-	0.36
2. Credit	130.00	-	130.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,262.92	-	5,262.92
(b) Daily Census Contact Hours	438.35	-	438.35
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	86.47	-	86.47
(b) Credit	359.33	-	359.33
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	1,858.57	-	1,858.57
(b) Daily Census Contact Hours	1,584.07	-	1,584.07
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	11,142.87	-	11,142.87
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	21.91	-	21.91
2. Noncredit	79.05	-	79.05
Total Basic Skills FTES	100.96	-	100.96

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements for the year ended June 30, 2025.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2025

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 17,938,738	\$ -	\$ 17,938,738	\$ 17,938,738	\$ -	\$ 17,938,738
Other	1300	16,243,671	-	16,243,671	16,323,773	-	16,323,773
Total Instructional Salaries		34,182,409	-	34,182,409	34,262,511	-	34,262,511
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,133,127	-	4,133,127
Other	1400	-	-	-	855,248	-	855,248
Total Non-Instructional Salaries		-	-	-	4,988,375	-	4,988,375
Total Academic Salaries		34,182,409	-	34,182,409	39,250,886	-	39,250,886
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	15,800,194	-	15,800,194
Other	2300	-	-	-	1,547,951	-	1,547,951
Total Non-Instructional Salaries		-	-	-	17,348,145	-	17,348,145
Instructional Aides							
Regular Status	2200	1,282,644	-	1,282,644	1,282,646	-	1,282,646
Other	2400	238,471	-	238,471	238,471	-	238,471
Total Instructional Aides		1,521,115	-	1,521,115	1,521,117	-	1,521,117
Total Classified Salaries		1,521,115	-	1,521,115	18,869,262	-	18,869,262
Employee Benefits	3000	11,759,100	-	11,759,100	23,143,795	-	23,143,795
Supplies and Materials	4000	-	-	-	874,794	-	874,794
Other Operating Expenses	5000	-	-	-	11,065,146	-	11,065,146
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		47,462,624	-	47,462,624	93,203,883	-	93,203,883
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Incentives	5900	-	-	-	509,565	-	509,565
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	269,758	-	269,758
Non-instructional Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	226,276	-	226,276
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-instructional Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,733,411	-	1,733,411
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ -	\$ -	\$ -	\$ 2,739,010	\$ -	\$ 2,739,010
Total for ECS 84362, 50% Law		\$ 47,462,624	\$ -	\$ 47,462,624	\$ 90,464,873	\$ -	\$ 90,464,873
Percent of CEE (Instructional Salary Cost/Total CEE)		52.47%	0.00%	52.47%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 45,232,437	\$ -	\$ 45,232,437

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

EPA Revenue	\$ 18,039,394
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 18,039,394	\$ -	\$ -	\$ 18,039,394
Total		\$ 18,039,394	\$ -	\$ -	\$ 18,039,394

See accompanying note to supplementary information

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - District Funds Included in the Reporting Entity:

General Fund	\$	95,996,864	
Debt Service Fund		18,037,417	
Child Development Fund		390,102	
Capital Project Funds		106,221,052	
Cafeteria Fund		51,647	
Associated Students Body Fund		466,287	
Student Representation Fee		351,625	
Districts Auxiliary		3,012,452	
Student Financial Aid Fund		<u>1,639,326</u>	\$ 226,166,772

Assets recorded within the statement of net position not included in the fund financial statements:

Capital assets not being depreciated	\$	52,010,717	
Capital assets being depreciated		554,112,744	
Accumulated depreciation		(116,756,761)	
Accumulated amortization		(10,027,556)	
Right-to-use assets		19,947,957	
Lease receivable		185,850	
Net OPEB asset		758,501	
Fair Market Value - Cash in County Investments		<u>(5,426,713)</u>	494,804,739

Accreted interest (2,747,845)

Liabilities recorded within the statement of net position not recorded in the fund financial statements:

Net pension liability	(72,968,850)
Compensated absences	(3,218,302)
Banked faculty load time	(553,740)
Lease liabilities	(10,954,987)
Long-term debt	(489,662,099)
Deferred loss on refunding	24,322,171
Deferred inflows - leases	(128,329)
Deferred outflows - pensions	25,803,035
Deferred outflows - OPEB	662,861
Deferred inflows - OPEB	(1,910,479)
Deferred inflows - pensions	<u>(11,518,304)</u>

Net Position Reported Within the Statement of Net Position \$ 178,096,643

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1 - PURPOSE OF SCHEDULES

District Organizational Structure

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards includes the federal award activity of Antelope Valley Community College District, and is presented on the 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). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes State grant activity of the District and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's System's Office.

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

Full-time equivalent students is a measurement of the number of students 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 community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited basic financial statements.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1 - PURPOSE OF SCHEDULES, continued

Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS



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

The Board of Trustees
Antelope Valley Community College District
Lancaster, 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 business-type activities and the fiduciary activities of Antelope Valley Community College District (the "District") as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



San Diego, California
December 29, 2025



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

The Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Antelope Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2025. The District's major Federal programs are identified in the Summary of Auditors' Results of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditors' 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 consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2025-001.

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.

CWDL, Certified Public Accountants

San Diego, California
December 29, 2025



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

The Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on State Compliance

Opinion on State Compliance

We have audited Antelope Valley Community College District's (the "District") compliance with the types of compliance requirements as identified in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual* for the year ended June 30, 2025. The applicable State compliance requirements are identified below.

In our opinion, the District complied, in all material respects, with the laws and regulations of the State programs noted below that were audited for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements described in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the compliance requirements are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on State compliance with the compliance requirements subject to audit in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements described in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the State programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed below that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 411 – SCFF Data Management Control Environment
Section 412 – SCFF Supplemental Allocation Metrics
Section 413 – SCFF Success Allocation Metrics
Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Activities Funded From Other Sources
Section 424 – Student Centered Funding Formula Base Allocation: FTES
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment (CCAP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 490 – Propositions 1D and 51 State Bond Funded Projects
Section 491 – Education Protection Account Funds
Section 492 – Student Representation Fee
Section 498 – COVID-19 Response Block Grant Expenditures

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 29, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	<u>No</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, <i>Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards</i>	<u>No</u>
Identification of major programs:	

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,373,034</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or questioned costs identified during 2024-25.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

FINDING #2025-01 – STUDENT FINANCIAL AID ELIGIBILITY (8000)

Criteria

According to the Office of the U.S. Department of Education, The Pell Grant is the largest federal grant program offered to undergraduates and is designed to assist students from low-income households. A Federal Pell Grant, unlike a loan, does not have to be repaid, except under certain circumstances.

Condition

During our federal testing, we identified one selection as having the incorrect disbursed amount. This student (selection #5) was identified as having a Pell calculation error. This student should have received \$925 in Pell for term 202570.

Effect

Due to the miscalculation, the student was misawarded by \$373 in Pell Grant funds for the 202570 term.

Cause

The error occurred due to a miscalculation during the review of the students' Pell eligibility. This error was identified after the 180-day mark. Per the 24/25 FSA Handbook, 34 CFR 668.164(j)(4), the district cannot make a disbursement more than 180 days after the student became ineligible.

Questioned Cost

None noted

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the district implement enhanced internal control, such as secondary reviews or automated recalculation checks to ensure that changes in enrollment status are accurately reflected in Pell award calculations. Additionally, for the district to provide staff training on Pell Grant eligibility and recalculation requirements to reduce any future errors.

Corrective Action Plan/District Response.

The financial aid office is under new leadership as of January 1, 2025. During 2025, department leadership began its review of departmental policies and procedures, focusing on remediating compliance weaknesses within the department while moving toward best practice in federal and state aid delivery. Department leadership has put structures in place at multiple points of potential failure to prevent inaccurate aid calculations. These structures include new policy and procedure documentation, enhanced optimization in the Banner system, staff training in multiple modalities including intradepartmental training, asynchronous independent training, off-site training, and a monthly reconciliation program with AVC's fiscal office. We have also begun a system of cross training to ensure that expertise persists within the department during times of staffing changes, extended leaves of absence, and vacancies.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2024-25.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

This section presents findings and questioned costs identified in prior year audit related to financial statements, federal awards and state awards compliance.

FINDING #2024-001 – OUTSTANDING STUDENT REFUND CHECKS

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2023 to June 30, 2024

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: In accordance with 34 CFR 668.164(l), an institution must return to ED (notwithstanding any state law, such as a law that allows funds to escheat to the state) any Title IV funds, except Federal Work Study (FWS) program funds, that it attempts to disburse directly to a student or parent but they do not receive or negotiate those funds. For FWS program funds, the institution is required to return only the federal portion of the payroll disbursements. If the institution attempted to disburse the funds by check and the check is not cashed, the funds must be returned no later than 240 days after the date it issued the check. If a check is returned, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that the attempts are made no later than 45 days after the funds were returned or rejected. If the institution does not make an additional attempt to disburse the funds, the funds must be returned before the end of the 45-day period and no later than 240 days from the date of the initial attempt to disburse the funds.

Condition / Context: Twenty-five (25) of the 25 outstanding refund checks tested were not timely returned to the U.S. Department of Education.

Questioned Costs: \$12,134.

Cause: The Districts' internal controls and Financial Aid Office vacancies in crucial positions led to the failure to remit refund payments in a manner to ensure compliance with the criteria mentioned above.

Effect: The District is not in compliance with the applicable Title IV regulations stating that all student refund checks be returned to the U.S. Department of Education (DOE) within 240 days of the original disbursement. Any additional attempts to disburse funds must be made no later than 45 days after the funds were returned or rejected.

Recommendation: We recommend that the District review its procedures related to outstanding student refund checks to ensure they are being returned to the Department of Education or disbursed to students as stated in the criteria mentioned above.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

FINDING #2024-001 – OUTSTANDING STUDENT REFUND CHECKS, continued

Management's Response and Corrective Action Plan: The District is reviewing and updating its processes related to the remittance of outstanding student refund checks. The District has hired an administrator to lead the Financial Aid Office and to train staff on proper procedures for returning funds to the DOE or disbursing funds to students in a timely manner as required by law. These trainings are currently taking place and include the creation of procedural documentation to ensure that reference material is accessible to Financial Aid staff.

Current Status: Resolved in 2024-25.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Antelope Valley Community College District (the “District”) in connection with the execution and delivery of its \$_____ Certificates of Participation, Series 2026 (the “Certificates”). The Certificates are being executed pursuant to a Trust Agreement, dated as of November 1, 2026, by and among the District, U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) and the Public Property Financing Corporation of California (the “Corporation”). The District covenants 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 Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

“**Annual Report**” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**Beneficial Owner**” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“**Dissemination Agent**” shall mean initially the Fieldman, Rolapp & Associates, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“**Financial Obligation**” shall mean: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“**Listed Events**” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“**Official Statement**” shall mean the Official Statement relating to the Certificates, dated _____, 2026.

“**Participating Underwriter**” shall mean the original Underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“**Repository**” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the fiscal year ending June 30, 2026, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date, the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall (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, stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the prior fiscal year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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) Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (i) State funding received by the District for the last completed fiscal year;
- (ii) average daily attendance of the District for the last completed fiscal year;

- (iii) outstanding District indebtedness; and
- (iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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 have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(c) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, as prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. 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.
10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District.

For the purposes of the event identified in Section 5(a)(10), the event 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or

liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. non-payment related defaults.
2. modifications to rights of Certificate holders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates.
5. release, substitution or sale of property securing repayment of the Certificates.
6. 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.
7. appointment of a successor or additional Trustee with respect to the Certificates or the change of name of such a Trustee.
8. incurrence of a Financial Obligation of the District, 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 owners of the Certificates.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. 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 such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. 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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. 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 Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates 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 Trust Agreement, 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.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may

incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, 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 Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Certificate solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: _____, 2026

ANTELOPE VALLEY COMMUNITY COLLEGE
DISTRICT

By: _____
Shaminder Brar
Assistant Superintendent/Vice-President for
Administrative Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: Antelope Valley Community College District

Name of Certificate Issue: \$ _____ Antelope Valley Community College District
Certificates of Participation, Series 2026

Date of Delivery:

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the District on the date of delivery of the Certificates. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

ANTELOPE VALLEY COMMUNITY COLLEGE
DISTRICT

By: [form only; no signature required] _____

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each of maturity of the Certificates, each in the aggregate principal amount of such Certificate, and will be deposited with DTC.

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 3.6 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. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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

Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF LANCASTER AND PALMDALE, AND LOS ANGELES COUNTY

The following information regarding the City of Lancaster (“Lancaster”), the City of Palmdale (“Palmdale,” and together with Lancaster, the “Cities”) and Los Angeles County (the “County”) is included only for the purpose of supplying general information regarding the community. The Certificates are not an obligation of the Cities or the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Special Counsel.

General

The City of Lancaster. About 70 miles north of downtown Los Angeles, Lancaster is located in the Antelope Valley, which is separated from the Los Angeles Basin by the Angeles National Forest. Incorporated in 1977, Lancaster’s voters approved its Charter City status on April 13, 2010, and its Mayor and City Council are elected at large. Composed of 94 square miles, it has been recognized three times by the Los Angeles County Economic Development Corporation as the Most Business Friendly City.

The City of Palmdale. Incorporated in 1962, Palmdale became a Charter City in November 2009. With a Council-Manager form of local government, the five member City Council is composed of four members elected by four geographic districts to staggered four year terms, and a Mayor who is elected at large to a two-year term. Located in the high desert 60 miles north of downtown Los Angeles, Palmdale is at an elevation of 2,600 feet and has over 300 sunny days per year. Palmdale is the sixth largest of the 88 cities in Los Angeles County and one of the fastest growing.

Los Angeles County. Established by an act of the State Legislature on February 18, 1850, the County is one of the original 27 counties of the State of California (the “State”). With 4,083 square miles, the County borders 70 miles of coast on the Pacific Ocean. By population, the County is the largest of any county in the country, home to 88 incorporated cities and many unincorporated areas, and hosting over 10 million residents. Its 2017 Gross Domestic Product of \$670 billion made the County’s economy larger than that of 44 states and all but 21 countries. In between the large desert portions of the County — which make up around 40% of its land area — and the heavily urbanized central and southern portions, sit the San Gabriel Mountains, containing the Angeles National Forest. The County is a charter county governed by a five-member elected Board of Supervisors whose members serve staggered four-year terms.

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Population

The following table shows historical population figures for the Cities, the County, and the State for the past 10 years.

POPULATION ESTIMATES
2017 through 2026
City of Lancaster, City of Palmdale, Los Angeles County and the State of California

<u>Year⁽¹⁾</u>	<u>City of Lancaster</u>	<u>City of Palmdale</u>	<u>Los Angeles County</u>	<u>State of California</u>
2017 ⁽¹⁾	171,266	166,322	10,107,312	39,273,915
2018 ⁽¹⁾	172,368	167,518	10,107,841	39,429,439
2019 ⁽¹⁾	173,512	168,441	10,067,476	39,503,656
2020 ⁽²⁾	175,077	169,281	10,014,009	39,538,223
2021 ⁽²⁾	174,813	168,374	9,967,533	39,380,058
2022 ⁽²⁾	173,516	166,444	9,861,671	39,159,480
2023 ⁽²⁾	173,480	166,308	9,864,220	39,167,274
2024 ⁽²⁾	174,127	166,333	9,882,296	39,446,835
2025 ⁽²⁾	177,170	166,554	9,900,914	39,646,907
2026 ⁽²⁾	178,159	166,118	9,837,286	39,592,978

⁽¹⁾ As of January 1.

Source: 2017-19 (2010 Demographic Research Unit Benchmark); 2020-26 (2020 Demographic Research Unit Benchmark): California Department of Finance for May 1.

Income

The following table summarizes per capita personal income for the County, the State, and the United States for the past 10 years that statistics are currently available.

PER CAPITA PERSONAL INCOME
2015 through 2024
Los Angeles County, State of California, and United States

<u>Year</u>	<u>Los Angeles County</u>	<u>State of California</u>	<u>United States</u>
2015	\$53,061	\$53,816	\$48,062
2016	54,742	55,862	48,974
2017	56,627	58,214	51,006
2018	58,994	60,984	53,311
2019	62,591	64,219	55,567
2020	67,889	70,100	59,151
2021	73,575	77,134	64,692
2022	74,714	77,196	66,298
2023	78,745	81,196	70,002
2024	83,888	86,232	73,204

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: February 5, 2026 – new statistics for 2024; revised statistics for 2020-2023. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Principal Employers

The tables below and on the following page list the principal employers located in the Cities and the County.

PRINCIPAL EMPLOYERS

2025

City of Lancaster

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Edwards Air Force Base	National Security	13,000
Northrop Grumman	Manufacturing: Transportation Equipment	7,000
Naval Air Weapons Station China Lake	National Security	6,520
Antelope Valley Hospital Medical Center	Services: Health	2,750
Antelope Valley Union High School District	Services: Education	2,300
Palmdale School District	Services: Education	2,100
Lancaster School District	Services: Education	1,100
Antelope Valley College ⁽¹⁾	Services: Education	850
Trader Joe's Distribution Center	Motor Freight Transportation and Warehousing	800
Ride.Co (formerly BYD)	Manufacturing: Transportation Equipment	750

⁽¹⁾ For more up-to-date information regarding the District's bargaining units, see "ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: City of Lancaster Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2025.

PRINCIPAL EMPLOYERS

2024

City of Palmdale

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Northrop Grumman	Manufacturing: Transportation Equipment	8,680
Lockheed Martin	Manufacturing: Transportation Equipment	4,597
Palmdale Regional Medical Center	Services: Health	1,081
Walmart Supercenters (3 Stores)	Retail Trade: General Merchandise Stores	942
Target Stores (2 Stores + Optical)	Retail Trade: General Merchandise Stores	452
Keller Williams Realty Antelope Valley	Real Estate	399
Vallarta Supermarket (3 Stores)	Retail Trade: Food Stores	370
Allied Universal Security Services	Business Services	295
The Home Depot (2 Stores)	Retail Trade: Building Materials, Hardware, Garden Supply	283
Lowe's Home Centers (2 Stores)	Retail Trade: Building Materials, Hardware, Garden Supply	257

Source: City of Palmdale Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2024.

LARGEST GOVERNMENTAL EMPLOYERS
2025
Los Angeles County

<u>Employer</u>	<u>Employees</u>
Los Angeles County	117,000 ⁽¹⁾
Los Angeles Unified School District	78,874
University of California, Los Angeles	57,411
City of Los Angeles ⁽²⁾	34,320
Los Angeles Department of Water and Power	12,000
Long Beach Unified School District	10,000
Los Angeles Community College District	10,000
City of Long Beach	5,581
Los Angeles County Metropolitan Transportation Authority	5,000
California State University, Northridge	4,807
California State University, Long Beach	4,458
Pomona Unified School District	4,000
Los Angeles World Airports	3,500
Cal Poly Pomona	2,710
California State University, Dominguez Hills	2,700
California State University, Los Angeles	2,575
Glendale Unified School District	2,200
City of Santa Monica	2,000
City of Pasadena	2,000
Montebello Unified School District	1,900
Santa Monica Community College District	1,800
Antelope Valley Union High School District	1,200
Conejo Valley Unified School District	1,100
Port of Los Angeles	1,009
Mt. San Antonio Community College District	1,000 ⁽¹⁾

⁽¹⁾ Los Angeles Business Journal estimate.

⁽²⁾ Excludes proprietary departments (LADWP, LAWA, Port of L.A.).

Source: Los Angeles Business Journal, Weekly Lists, originally published August 25, 2025.

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LARGEST NON-GOVERNMENTAL EMPLOYERS
2025
Los Angeles County⁽¹⁾

<u>Employer</u>	<u>Employees</u>
Kaiser Permanente Southern California	47,897
University of Southern California	25,741
Cedars-Sinai	18,087
Northrop Grumman Corp.	16,600 ⁽¹⁾
The Walt Disney Co.	13,400
NBCUniversal	13,000 ⁽¹⁾
UPS	12,000 ⁽¹⁾
Providence	11,500 ⁽¹⁾
Home Depot	11,000 ⁽¹⁾
Target Corp.	11,000 ⁽¹⁾
The Boeing Co.	10,700
Albertsons Cos.	10,000 ⁽¹⁾
California Institute of Technology	8,396
AT&T Inc.	8,000 ⁽¹⁾
Amazon	7,000 ⁽¹⁾
Allied Universal	6,800 ⁽¹⁾
City of Hope	6,700 ⁽¹⁾
Ralphs	5,600
SpaceX	5,600
Bank of America Corp.	5,530
Children's Hospital Los Angeles	5,305
Costco Wholesale	5,300 ⁽¹⁾
Capital Group	4,600
Antelope Valley Medical Center	2,800
Deloitte LLP and subsidiaries	2,610

⁽¹⁾ Los Angeles Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, originally published August 25, 2025.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2020 through 2024 for the Cities, the County, the State, and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2020 through 2024⁽¹⁾
City of Lancaster, City of Palmdale, Los Angeles County, State of California, and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment⁽³⁾</u>	<u>Unemployment Rate (%)</u>
<u>2020</u>				
City of Lancaster	68,900	59,600	9,300	13.5
City of Palmdale	72,500	63,200	9,300	12.9
Los Angeles County	4,972,600	4,363,200	609,400	12.3
State of California	18,821,200	16,913,100	1,908,100	10.0
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of Lancaster	70,400	62,200	8,200	11.7
City of Palmdale	73,800	65,800	8,000	10.8
Los Angeles County	4,999,700	4,551,600	448,100	9.0
State of California	19,041,000	18,127,700	913,300	4.8
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
City of Lancaster	69,900	65,000	4,900	7.0
City of Palmdale	73,200	68,600	4,600	6.3
Los Angeles County	5,021,800	4,771,700	250,100	5.0
State of California	19,252,900	18,440,900	811,100	4.2
United States	164,287,000	158,291,000	5,996,000	3.6
<u>2023</u>				
City of Lancaster	69,600	65,100	4,500	6.4
City of Palmdale	73,000	68,700	4,300	5.9
Los Angeles County	5,055,300	4,799,000	256,200	5.1
State of California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
<u>2024</u>				
City of Lancaster	70,700	65,300	5,400	7.7
City of Palmdale	74,100	68,900	5,200	7.0
Los Angeles County	5,109,800	4,812,600	297,200	5.8
State of California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2024 Benchmark.

Industry

The County is included in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “Metropolitan Division”). The distribution of employment in the Metropolitan Division is presented in the following table for the last five years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2021 through 2025 Los Angeles County (Los Angeles-Long Beach-Glendale Metropolitan Division)

<u>Category</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total Farm	4,600	4,800	4,700	4,700	4,200
Total Nonfarm	4,305,100	4,532,100	4,548,100	4,597,800	4,592,700
Total Private	3,744,800	3,962,100	3,965,400	3,996,100	3,989,500
Goods Producing	463,800	474,700	471,300	465,900	451,400
Mining and Logging	1,600	1,700	1,700	1,700	1,700
Construction	149,000	151,300	151,200	151,600	146,500
Manufacturing	313,100	321,700	318,400	312,600	303,300
Durable Goods	186,000	189,500	190,200	187,800	181,800
Nondurable Goods	127,100	132,200	128,300	124,900	121,500
Service Providing	3,841,300	4,057,400	4,077,200	4,131,900	4,141,200
Private Service Providing	3,281,100	3,487,400	3,494,100	3,530,300	3,538,100
Trade, Transportation & Utilities	814,000	833,500	822,800	812,000	799,300
Wholesale Trade	202,600	204,400	200,100	194,800	189,200
Retail Trade	396,100	405,500	404,800	398,800	393,600
Transportation, Warehousing & Utilities	215,200	223,600	217,900	218,500	216,500
Information	208,800	234,900	193,100	189,600	177,000
Financial Activities	213,200	215,700	210,500	207,700	203,400
Professional & Business Services	631,300	667,400	657,200	657,400	660,200
Private Education & Health Services	843,900	870,600	919,000	967,000	1,007,100
Leisure & Hospitality	434,200	512,400	534,100	537,500	533,100
Other Services	135,700	153,000	157,400	159,000	158,000
Government	<u>560,200</u>	<u>570,000</u>	<u>583,100</u>	<u>601,700</u>	<u>603,200</u>
Total, All Industries	<u>4,309,700</u>	<u>4,536,900</u>	<u>4,553,200</u>	<u>4,602,500</u>	<u>4,596,900</u>

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2025 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the Cities and the County for the last five years are shown in the tables below and on the following page.

ANNUAL TAXABLE SALES 2021 through 2025 City of Lancaster (Dollars in Thousands)

<u>Year</u>	Total Retail and Food Services: <u>Permits</u>	Retail and Food Services: Taxable <u>Transactions</u>	Total All Outlets: <u>Permits</u>	Total All Outlets: Taxable <u>Transactions</u>
2021	2,507	\$1,881,184	3,982	\$2,241,540
2022	2,626	1,873,796	4,189	2,338,092
2023	2,417	1,800,503	3,929	2,207,892
2024	2,397	1,728,352	3,971	2,107,954
2025	2,421	1,804,845	3,978	2,248,226

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

ANNUAL TAXABLE SALES 2021 through 2025 City of Palmdale (Dollars in Thousands)

<u>Year</u>	Total Retail and Food Services: <u>Permits</u>	Retail and Food Services: Taxable <u>Transactions</u>	Total All Outlets: <u>Permits</u>	Total All Outlets: Taxable <u>Transactions</u>
2021	2,429	\$2,027,552	3,658	\$2,233,318
2022	2,504	2,057,371	3,735	2,304,831
2023	2,301	2,033,984	3,508	2,296,014
2024	2,316	1,924,212	3,536	2,197,835
2025	2,334	1,925,018	3,577	2,181,902

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

ANNUAL TAXABLE SALES
2021 through 2025
Los Angeles County
(Dollars in Thousands)

	Total Retail and Food Services:	Retail and Food Services: Taxable Transactions	Total All Outlets: Permits	Total All Outlets: Taxable Transactions
<u>Year</u>	<u>Permits</u>			
2021	208,412	\$139,000,373	349,061	\$192,524,203
2022	210,441	150,622,624	354,092	213,716,609
2023	202,366	146,164,088	342,582	208,502,835
2024	202,854	141,136,404	344,742	202,317,677
2025	201,604	143,259,150	346,870	204,460,033

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years, for which data is available, for the City and the County are shown in the tables below and on the following page.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
City of Lancaster
(Dollars in Thousands)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Valuation					
Residential	\$106,369	\$151,593	\$86,500	\$125,124	\$243,337
Non-Residential	<u>53,470</u>	<u>88,809</u>	<u>43,007</u>	<u>22,704</u>	<u>31,143</u>
Total	\$159,839	\$240,402	\$129,507	\$147,828	\$274,480
Units					
Single Family	438	490	345	393	969
Multi Family	<u>0</u>	<u>414</u>	<u>72</u>	<u>141</u>	<u>478</u>
Total	438	904	417	534	1,447

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
City of Palmdale
(Dollars in Thousands)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Valuation					
Residential	\$68,237	\$61,061	\$106,786	\$43,687	\$5,377
Non-Residential	<u>47,297</u>	<u>27,427</u>	<u>29,487</u>	<u>12,034</u>	<u>1,294</u>
Total	\$115,534	\$88,488	\$136,273	\$55,721	\$6,671
Units					
Single Family	237	177	400	163	19
Multi Family	<u>95</u>	<u>101</u>	<u>0</u>	<u>122</u>	<u>0</u>
Total	332	278	400	285	19

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
Los Angeles County
(Dollars in Thousands)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Valuation					
Residential	\$5,678,400	\$6,020,503	\$7,126,963	\$5,097,976	\$5,989,659
Non-Residential	<u>3,513,049</u>	<u>1,863,348</u>	<u>1,863,348</u>	<u>3,989,678</u>	<u>4,202,224</u>
Total	\$9,191,449	\$7,883,851	\$8,990,311	\$9,087,654	\$10,191,883
Units					
Single Family	6,198	7,327	8,301	6,503	7,405
Multiple Family	<u>14,056</u>	<u>16,718</u>	<u>18,912</u>	<u>11,752</u>	<u>9,260</u>
Total	20,254	24,045	27,213	18,255	16,665

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

APPENDIX G

LOS ANGELES COUNTY TREASURY POOL

The following information concerning the Los Angeles County Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer and Tax Collector (the “Treasurer”) of Los Angeles County (the “County”), and has not been confirmed or verified by the District, the Underwriters or the Municipal Advisor. The District, Underwriters and Municipal Advisor have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Underwriters, nor the Municipal Advisor make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at www.ttc.lacounty.gov; however, the information presented on such website is not incorporated herein by any reference.

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (Treasury Pool). As of August 31, 2026, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$20.702
Schools and Community Colleges	25.926
Discretionary Participants	<u>3.290</u>
Total	\$49.918

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	93.40%
Discretionary Participants:	
Independent Public Agencies	6.47%
County Bond Proceeds and Repayment Funds	<u>0.13%</u>
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on May 12, 2026, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Report of Investments dated September 30, 2026, the August 31, 2026, book value of the Treasury Pool was approximately \$49.918 billion, and the corresponding market value was approximately \$48.660 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of August 31, 2026:

<u>Type of Investment</u>	<u>% of Pool</u>
Certificates of Deposit	5.31
U.S. Government and Agency Obligations	64.15
Bank Acceptances	0.00
Commercial Paper	30.47
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.00
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	<u>0.00</u>
	100.00

The Treasury Pool is highly liquid. As of August 31, 2026, approximately 43.78% of the investments mature within 60 days, with an average of 361 days to maturity for the entire portfolio.

